OCT. 20
1934

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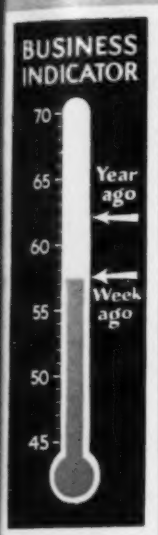
BUSINESS WEEK



International News

NRA GETS DOWN TO BUSINESS—Clay Williams, of Reynolds Tobacco, takes hold of the business end in the new set-up.

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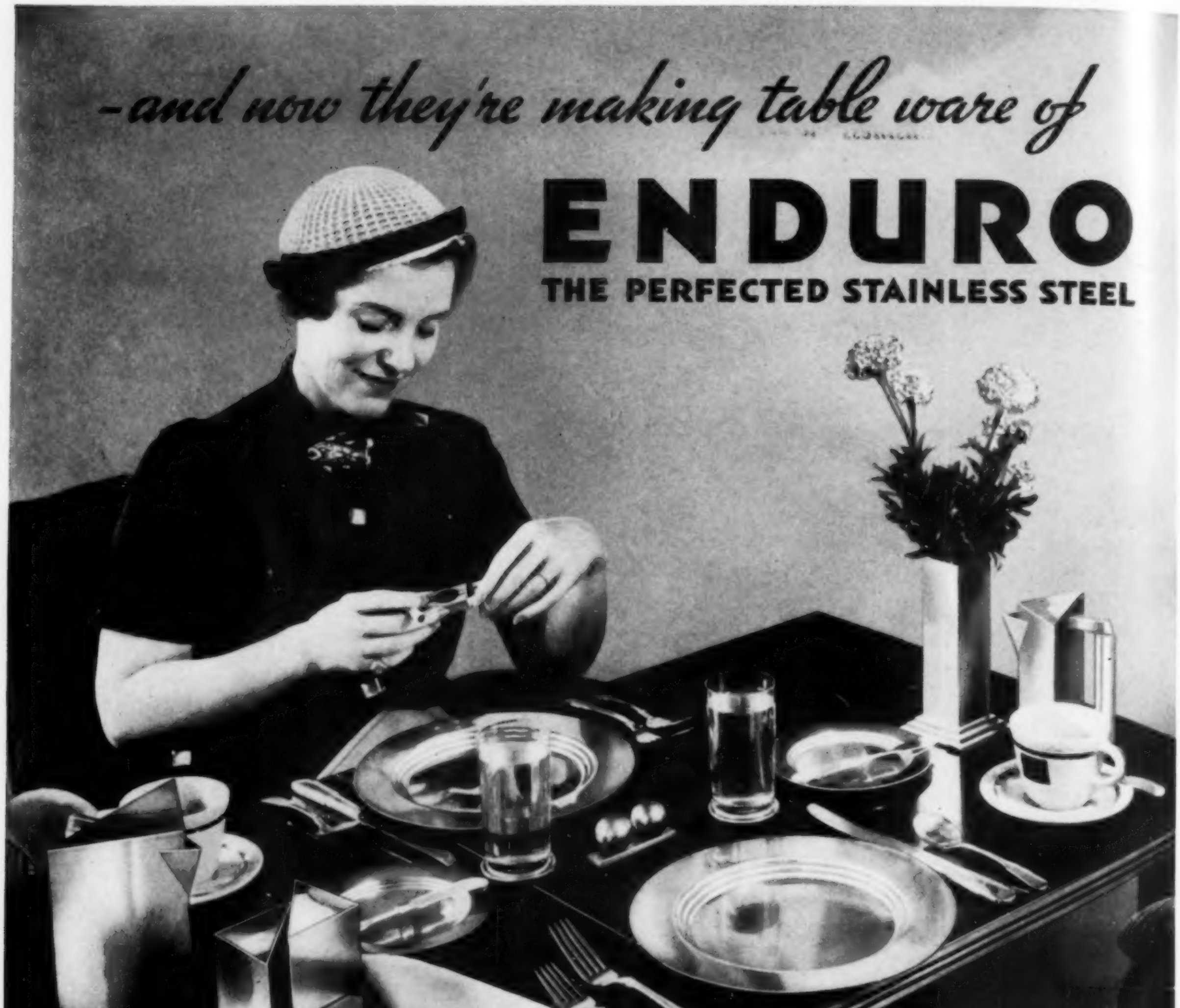

Helen Hughes Dulany inspecting the stainless steel service of Enduro, designed by her for Burlington's famous new train, "Zephyr"—the first complete stainless steel service made in this country.

THE table service you see here—except teacups and glasses—is made of Enduro, the perfected, silvery stainless steel, *produced only by Republic.*

Smart — modern — non-rusting — long-lived — eternally bright—unaffected by the acids in foods—is this Enduro table ware, designed and fabricated by Enduro stylist Helen Hughes Dulany of Chicago.

Enduro looks like silver—permanently—yet is stronger than carbon steel. Its distinctive properties—its utility—its extreme adaptability have made its applications almost limitless. It has already replaced other materials — and other metals — in hundreds of products. Yet *new* and profitable ways of using it are constantly being found.

Its proper use may help you solve a production or a merchandising problem. The Enduro story is told in booklet form. May we send it?

Licensed under Chemical Foundation patents numbers 1,316,817 and 1,339,378

WORLD'S LARGEST CAPACITY FOR STAINLESS STEEL PRODUCTION

REPUBLIC STEEL CORPORATION
GENERAL OFFICES • • YOUNGSTOWN, OHIO
CENTRAL ALLOY DIVISION • • MASSILLON, OHIO

BUSINESS WEEK (with which is combined The Magazine of Business) October 20, 1934. No. 268 Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary, $5.00 per year, in U.S.A. and possessions; 30 shillings per year in all foreign countries. 20c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.
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Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Smooth, gradual recovery, with no trace of a boom, is what President Roosevelt wants. He would not bring a boom if he could. The "leveling off" process applies not only to rich and poor individuals, but also to fat and lean years. No particularly good years and no particularly bad years are wanted, slowly improving conditions for the average man and woman, not sudden return of 1928 prosperity.

THIS WEEK

What kind of recovery Roosevelt wants.

How business sits in nowadays.

Congress and company unions.

How Mr. Borah got annoyed.

Business Sits In

Business is to sit in on government discussions of unemployment insurance plans. Walter C. Teagle heads a committee of Secretary Roper's Business Advisory and Planning Council to keep close touch with drafters of government plans. President Roosevelt, asked if business has been getting into the inner circles of the discussion, said he had told the government representatives to see that they did. This is one of a number of committees the Commerce Department is framing to get into the heart of Administration policies affecting business before they are so crystallized that all that is left to business is to kick.

Secretary Roper is taking leadership in this policy of encouraging business participation.

Kohler's Troubles Continue

Kohler Company still has its strike, despite the fact that it held an election under National Labor Relations Board ruling. But the company union won, so Federation of Labor affiliates protest that electioneering methods were used. The Labor Board works to settle the strike as a whole, but if this misses it will have to go into charges of unfair pressure by Kohler sympathizers. It all leads pretty definitely to a big push in the next Congress to "outlaw the company-dominated union." This is not as easy as it sounds, for Congress conceivably is not yet ready to turn all labor organization activities over to the Federation of Labor, and the right of men to form a plant union would probably be held inviolate under the Constitution.

Johnson Hangs Shingle

General Johnson opens an office as advisor to industries in NRA relationships. He probably will not appear before NRA himself, as he issued a ruling some months ago that ex-officials of NRA should not be received as representatives of the industries they had handled when with the organization.

Misunderstandings Melt

Washington feels that its present effort to make the gears of government and business enmesh has to click in the next month or trouble looms. But the Administration is feeling pretty good about the response of business to its Macedonian cry. The White House visits of bigwigs on the "truce" plan are turning into dissertations on differences in terminology which realists here say is the chief misunderstanding between the New Dealers and business. Secretary Wallace's book is regarded as an excellent glossary, but Glenn Frank's "America's Hour of Decision" seems to be the favorite "pony."

Still the Houde Case

The National Labor Relations Board scrambled about this week to get needed supplementary evidence with which to induce the Department of Justice to go ahead with prosecution of the Houde Engineering Co. on ground of its refusal to deal solely with labor representatives elected by majority rule. The case will finally be prosecuted on the basis of the "overt act" of refusal to abide by the Labor Board ruling, not on the Labor Board's ruling itself that the company violated article 7-a in the first place. Thus the Labor Board will get its case prosecuted and the Department of Justice will retain its right and power to decide what is good law and what isn't.

Mr. Garrison Departs

Lloyd Garrison returns to the University of Wisconsin, although subject to recall if he is needed on the Labor Relations Board of which he was the first chairman. Hardboiled pressmen of the capital regret his passing as "one of the square shooters" in the Administration. As one lady journalist said, "he never refuses to cut a lemon; he may throw it in the garbage afterwards, but he always takes a look at its insides."

State's Rights Again

Shades of states rights arise in the Supreme Court decision that New York cannot boss interstate milk marketing. Washington wonders whether the logical corollary decision will come from the august jurists that Uncle Sam may not boss intrastate service industries. If so, then Congress's job in remodeling NIRA will be greatly simplified.

Borah and Beets

Transfer by AAA of 12,000 acres of sugar beet allotment from Idaho to California stirs Borah's ire. The immediately subsequent suggestion that Borah intends stump speaking in doubtful territory for progressive and anti-Administration colleagues appears to be a sequel. This would make it a most expensive recent farm decision for New Dealers. Borah speeches still command interest and votes.

Hog Control Goes On

Mordecai Ezekiel, economist of AAA, tells dietitians only beef and pork shortages are sufficient to affect average American diet. Next day AAA announces it continues the hog-corn curtailment program for next year. But FERA cattle purchases stop this month.

Kind Words to ABA

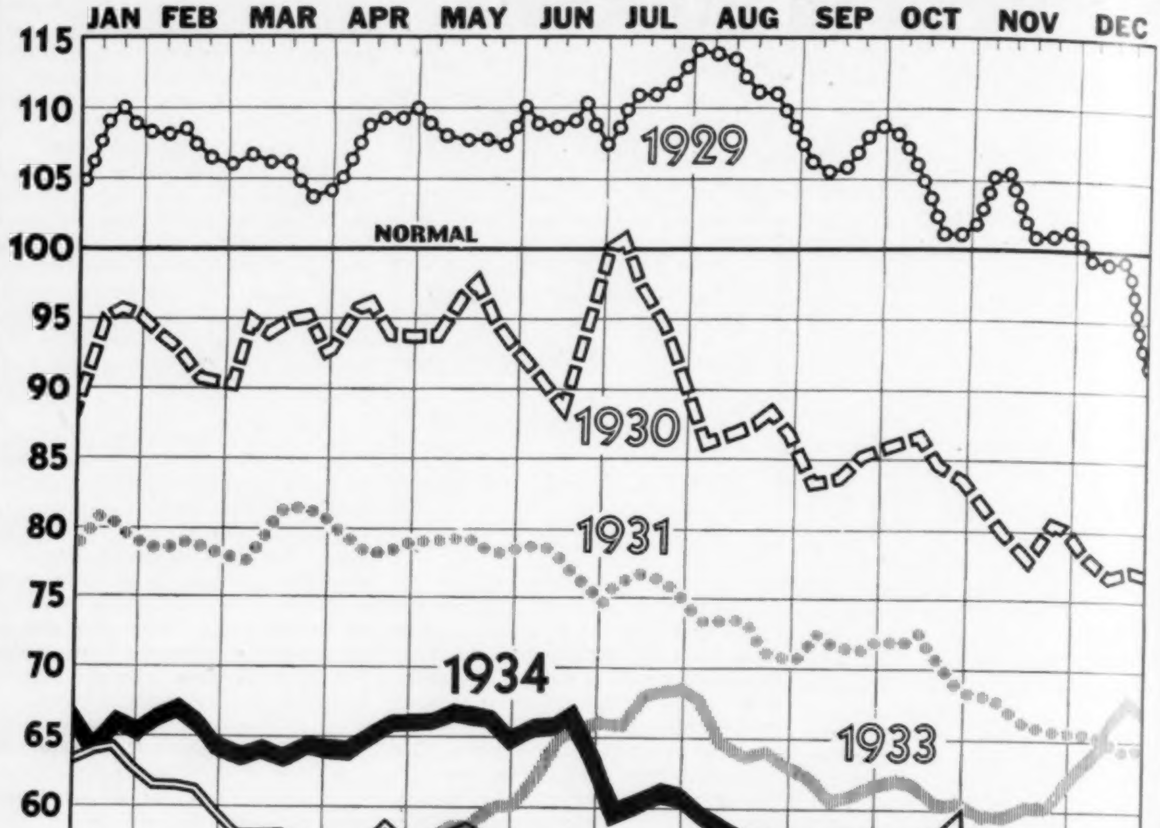
Various explanations why the President's advisors do not want his Bankers' Association speech broadcast are unconvincing. The real fact appears to be that his intended conciliatory remarks would make a bad political impression at the fireside.

The Veterans Come Back

The veterans' convention next month already re-arouses Washington's fear of demand for cash bonuses. Many state veteran delegations go with positive instructions to support this. Cynics say that's a small matter as Treasury demands now are measured.

An Olive Branch

This week's Chamber of Commerce of United States' reference to Administration business policy is pacific, almost conciliatory, toward Roosevelt. Evidently radical election forecasts are penetrating the chamber's consciousness with a growing conviction that Roosevelt may prove a most valuable ally for conservatives when Congress reconvenes.



BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Year Ago	Averag- 1929-33
	*57.5	57.4	62.0	76.7
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	22.8	23.6	34	43
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$4,612	$4,542	$4,910	$10,443
★ Bituminous Coal (daily average 1,000 tons)	*1,173	1,217	943	1,384
★ Electric Power (millions K.W.H.)	1,657	1,659	1,619	1,662
TRADE				
Total Carloadings (daily average, 1,000 cars)	105	107	110	141
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	67	68	71	91
★ Check Payments (outside N. Y. City, millions)	$2,946	$3,596	$2,718	$4,424
★ Money in Circulation (daily average, millions)	$5,489	$5,477	$5,392	$5,095
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.03	$1.02	$.81	$.75
Cotton (middling, New York, lb.)	$.126	$.124	$.093	$.101
Iron and Steel (STEEL, composite, ton)	$32.09	$32.09	$30.52	$31.59
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.076	$.096
All Commodities (Fisher's Index, 1926 = 100)	79.1	79.7	72.2	75.8
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,453	$2,456	$2,468	$1,805
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,824	$17,811	$16,536	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,759	$4,747	$4,933	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,055	$3,047	$3,637	......
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	$725	$725	$781	$2,367
Stock Prices (average 100 stocks, Herald Tribune)	$96.90	†$95.89	$95.92	$126.58
Bond Prices (Dow, Jones, average 40 bonds)	$93.23	†$92.61	$84.73	$88.01
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	¾%	2.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1¼%	2.9%
Business Failures (Dun and Bradstreet, number)	267	248	257	424

* Preliminary † Revised ★ Factor in *Business Week* Index

The Business Outlook

BUSINESS again turned to Washington this week for clues to future policies, but came away somewhat confused. The first impressions of the President's talk with reporters were that the Administration was not yet satisfied with the current price level, that it favored further increases. The stock market responded with improved activity; cotton cloth buyers poured in orders amounting to 20 million yards in one of the most impressive trading days in months.

However, inflation talk was rudely interrupted when Washington shifted the emphasis to the importance of keeping commodity prices in balance on any rise, warned that wide fluctuations of prices should be curbed; indicated that dollar manipulation is to be held in reserve. To accentuate the inflation denials, the Treasury announced a call for redemption of nearly $1.9 billions of 4¼% Liberty bonds on April 15 for bonds bearing lower interest rates.

Cut in Hours

Another important announcement from the nation's capital is embodied in the reissuance of the executive order cutting hours to 36 per week and raising wage rates in the cotton garment industry. There is no question but that the industry opposes the order now as much as it did when it was first proposed in September. Labor thinks it will mean the employment of some 10,000 additional workers; retailers look for a 10% increase in prices and a possible curtailment in sales volume.

A 30-Hour Law—

The subject of hours reduction found a prominent place on the list of resolutions of the A. F. of L. convention. The federation aims to push the 30-hour bill in the next session in an effort to solve the unemployment problem, admittedly serious. Chief question is whether this means will secure the ends hoped.

—Is Not a Remedy

Business Week made a few calculations of its own on this score on the basis of the July volume of production. It found that, in the manufacturing industries where the federation is directing its heaviest blows, the 6.6 millions of wage earners now employed were working an average of only 33.4 hours; to reduce these hours to 30 would require an additional force of less than 750,000, only about a third of the unemployed manufacturing wage earners. These computations take no account of any practical difficulties that might arise in the arbitrary reduction of hours to cut this figure. But they suggest that such reduction is no solution to the problem in manufacturing.

Check to Volume

In some 11 industries outside of manufacturing which employed 6.8 millions in 1929 and 5.5 millions last July, the possibilities of spreading the work are brighter since half of this group managed to work more than 40 hours a week. A careful estimate shows that, on a 30-hour basis, room could be found for 1.9 millions of additional workers, pushing the employment total of these industries 10% above their 1929 level. Included are wholesale and retail trade, public utilities, and a few service industries.

However, the combined increases in employment possible under this scheme would still be inadequate. The saner method, also somewhat inconsistently held by the federation, calls for a greater total output of goods. The 30-hour week applied throughout industry would not result in reproducing even the 1929 volume of production.

Steel Buyers Unconvinced

The steel industry had its fears allayed this week when the Steel Institute's meeting passed off without consideration of any revision in its pricing system, and the steel code received the official blessing of Donald Richberg, government representative on the steel code authority. However, there was no rush of consumers into the market. Hopes of lower prices seem to have been only dulled, not crushed by the NRA policy head's statement. Buyers are waiting to see if the government will get a 15% cut in code prices in its Nov. 2 bidding. Meanwhile, consumption of steel is going on at a faster clip than production, which still lags for want of orders from its principal buyers—motor, railroad, and construction industries.

Compliance Problem

NRA enforcement policies are still in the making, though there are indications that the Department of Justice and the Federal Trade Commission are still being considered rather than any new agency. The President would like to see industry do its own policing of chiselers, though experience leaves Washington skeptical of a satisfactory curbing of code violations in this way.

Watching Labor

Close watch is being kept on the labor situation in the steel and motor industries, especially since the A. F. of L. agreed to back vertical union organization in certain industries where craft unionism never got a foothold. The unwillingness of the Department of Justice to prosecute in the Houde case won't please labor and General Motors' letter to its employees defining its interpretation of collective bargaining is looked upon by some as a defiant gesture to those organizers in motor centers who are biding their time until new model production gets under way. Election returns in the steel union soon to be announced will give some clue as to the trend of leadership there. The steel industry would not be surprised if the radical rank and file seized control.

Retail Sales Rise

Department store sales in September rose 27% over August and gained 4% over last year despite the loss of one day's trading this year. Since prices stand about 4% higher than a year ago, the actual volume of goods sold is now on a par with last year, and promises to show an increase in the current month. Two mail order houses reported September sales 27% over last year, while 23 varied chain store concerns made gains running from less than 1% for 5c. and 10c. chains to 36% for an auto accessory chain. With benefit distributions, and crop income reaching seasonal peaks in the current weeks, retail distribution should expand, particularly in the farm states.

Good for Capital Goods

Eventually, the capital goods markets should feel this improved buying power. There are indications that 1934 has already shaped up considerably better than 1933 for capital goods producers.

So, while business finds activity in the steel, motor, and lumber industries slow, textile and shoe production and retail trade of all types are pointing upward. Farm implement and business equipment makers are looking forward to 1935 with the feeling that the replacement market alone should offer a volume of business surpassing the gains already made in 1934. Present indications put 1934 farm implement sales 54% ahead of 1933.

A True Story of One Man's Success

AS A young man shortly after the turn of the century, George Boyd* made a discovery that affected his entire business career. At that time he was secretary to the general agent of a Middle Western railroad. This agent personally solicited business from the large shippers in his area.

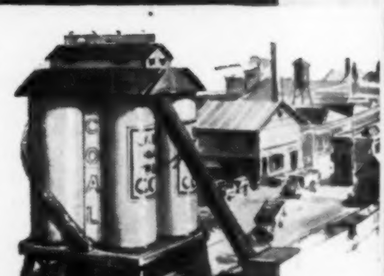
Young Boyd found that by using the telephone to follow up these visits, he could get much business in addition to that obtained by the agent on his personal calls.

His success won him recognition, and eventually he was offered the position of general sales manager of a portland cement company. Here he applied the same method with profitable results. His salesmen visited their customers at frequent intervals, but often found them not ready to buy at the moment.

"Daily, systematically, we followed up the salesmen's personal visits in all parts of the territory with Long Distance calls from the home office," says Mr. Boyd, "and found that we could often secure enough additional business to keep our packing plants going constantly."

Later Mr. Boyd became vice-president of a new cement company. In ten years, through the support given by telephone selling to the salesmen in the field, this concern—starting from scratch—developed its business to $3,000,000 a year.

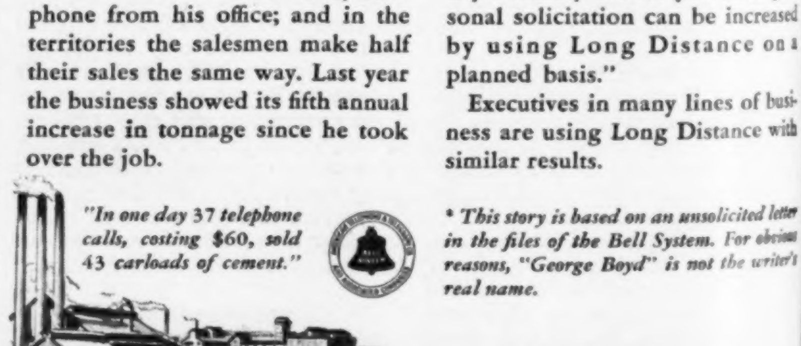
At the present time he is regional sales manager for a large coal corporation. Approximately 60 per cent of all sales are made by telephone from his office; and in the territories the salesmen make half their sales the same way. Last year the business showed its fifth annual increase in tonnage since he took over the job.



"Last year Long Distance helped us increase our tonnage substantially."

"There is no question," he says, "but that business coming out of any territory where you have personal solicitation can be increased by using Long Distance on a planned basis."

Executives in many lines of business are using Long Distance with similar results.



"In one day 37 telephone calls, costing $60, sold 43 carloads of cement."

** This story is based on an unsolicited letter in the files of the Bell System. For obvious reasons, "George Boyd" is not the writer's real name.*

NRA CODE GRAPHIC ARTS INDUSTRY

BUSINESS WEEK

OCTOBER 20, 1934

Hours and Wages

Out of the welter of apparent contradictory trends, a pattern of policy on labor slowly emerges.

PRESIDENTIAL order reiterating the reduction in hours in the cotton garment industry to 36, the A. F. of L. "militant" espousal again of the fight for a flat 30-hour week, and the electrical manufacturing industry's request for an increase in its code hours from 36 to 40 have kept the whole complicated problem of wages and hours stirred up. The battling elements need a little unscrambling.

The order to the cotton garment industry does not go into effect until Dec. 1; meanwhile, committees are to investigate the competition of prison industries and sheltered workshops, and the problems of the sheep-lined leather branch of the "cotton garment" industry.

Time for Adjustment

Also it is recognized that much time must be allowed for adjusting complicated piecework scales to the new 10% wage increase.

The cotton garment industry is doing some kicking, on the ground that the committee of 3 (Ralph Hunter, chairman, Col. R. B. Paddock, director, and Raymond Walsh, attorney, all of the code authority) was not authorized to pledge acceptance in advance of the decision. Nothing much will happen for a few weeks. The President's statement specifically praises the code authority for its "splendid" work of compliance (it has brought about $300,000 of back-pay restitutions, by far the biggest job done by any single code authority, and equal to nearly half of what the NRA Compliance Board itself has done).

Reasons for Longer Hours

The request for longer hours in the electrical manufacturing industry is not quite so contradictory as would seem at first glance. The code of that industry has wide provisions for longer working hours during rush production times. There is apparently no question but that its workers as a whole would be better off, and more individuals be employed, all at high wages, on the 40-hour basis with the usual code limitations of extra time only up to 48 hours a week, as in other codes, than under the present 36-hour code week with all kinds of special arrangements for exceptional seasons.

The labor provisions of the code have been under attack, in part on charges that women employees, who get a lower scale, have been increased in number disproportionately. The proposed change in hourly minima and wage scales is far from being a one-sided proposition, and it has, on the other hand, little to do with general revisions that may be made of other codes.

In this it differs from the cotton garment wage and hours change, which is regarded in Washington as setting two important precedents, one the right and authority of the President to impose changes in codes "for the general good," and the other the counter drive, which the specified changes in the cotton garment code labor provisions may presage, against union labor's 30-hour-week drive which is impending.

The A. F. of L. convention's almost unanimous endorsement of a renewal of the drive for a blanket 30-hour week in all industry carries warnings of serious trouble over labor legislation in the next Congress. The Black-Connery Bill, which was designed to close interstate commerce to all industries working their employees longer than 30 hours a week, passed the Senate last session and was stopped in the House only when the big NRA idea was produced by the Administration. NRA has not done all that was expected, to say the least, and hours have been pretty generally frozen at 40 a week.

The A. F. of L. Idea

The A. F. of L. has again adopted the platform that the way to save the nation is to cut hours to 30 and pay the same wages as for 40 or more. It is generally believed that the President sees the peril in this easy solution and is seeking, again, a way to stave it off, fearing that the reduction of production from the necessarily higher prices would defeat its own ends. But there is apprehension over the temper of the next Congress.

Suggestions of antidotes, like NIRA two years ago, will be bobbing up from time to time now. The revamping of NRA may hold much of the stage, and the revisions of Article 7-a (the labor

Wide World

ALFRED P. SLOAN—The president of General Motors translates the company's policy on labor problems (*BW—Sep1'34*) into definite principles governing GM's various divisions in dealing with employees. The collective bargaining idea will be fostered in an effort to keep company labor problems at home.

clause), seem destined to draw much attention.

Heretofore, industry has rather liked the idea that agitation for the 30-hour week might produce a smoke screen, behind which 7-a might be lost. Now, the growing possibility that the 30-hour week may get through makes that a less pleasant thought. Probably the drive apparently begun with the cotton garment code revision, to clear up wages and hours industry by industry, offers one of the best ways of escape from the 30-hour threat.

Majority Rule

Attorney-General's decision not to prosecute in Houde case confirms lawyers' suspicion labor ruling won't hold.

ANNOUNCEMENT that the Department of Justice will not start suit against the Houde Engineering Co., for the violation of Section 7-a which the National Labor Relations Board said it had committed, has confirmed, to hundreds of corporation lawyers, their contention that this ruling was not within the proper interpretation of NIRA. The automobile industry attorneys who leaped into a study of the case have said, privately, from the first, that the NLRB ruling would not hold water.

"Collective bargaining," under Article 7-a, obviously needs legislative clarification. This, it has been anticipated, may be one of industry's worries during the first months of the new Congress. If the Attorney-General has told the President a new law is needed, a message to Congress may be forthcoming.

The Houde decision, handed down Aug. 30, held that the company had failed to negotiate fully with an outside union, the chosen representatives of the workers. The company had also dealt with a company union. "The course which we think the statute plainly calls for, would be to negotiate . . . with the majority group, who would best be able to express the desires of the workers." In this ruling, the NLRB held that it would not set the kind or size of group that might elect its representatives, whether by company, plant, or craft, that this was a matter for negotiation. In the Guide Lamp Co. decision Sept. 4, the ruling was that a group elected by the sections of the plant where the Metal Polishers' union was concerned should be received for bargaining with those sections of the plant. In the Columbian Steel Tank Co. decision, Oct. 1, the NLRB went still further, holding that those eligible to vote, even if they refrained from voting, as they did in this case, still had to accept the representatives chosen by those who did vote, because these happened to be a majority of the eligibles. This has added to the confusion.

This fact stands out: The legal advisers to government departments and agencies have really no right to decide any matter of law or its interpretation; that rests with the Attorney-General, because he alone can initiate legal proceedings in the name of the United States government.

The order under which NLRB was set up stipulated its orders should not be subject to review by any executive agency. So the Attorney-General has not "reviewed" the majority rule decision. But "offenders" will not be prosecuted until the Department of Justice is convinced, in its own mind, that it has a case, or gets a personnel that will so decide.

International News

FEDERAL AIDE—The young president of Chicago University, Robert M. Hutchins, takes a leave of absence to serve the federal government.

Relief from Relief Industry

Business protests against what might happen in manufacturing by relief workers have been effective. But what has happened isn't much to get excited about.

RELIEF manufacturing operations are definitely on the decline. Never of sufficient promise to warrant the widespread protests that have descended on FERA and state relief administrations, actual volume is small and becoming smaller as federal and state officials surrender to outraged business sentiment or encounter technical complications that spoil the show.

At one time, Harry Hopkins had high hopes of employing relief workers in processing surplus raw materials for their own use. He went so far as to propose that FERA underwrite loans by RFC to reopen plants closed by the depression. Jesse Jones felt, however, that it wouldn't be fair to thrust a new competitive load on enterprises that have been able to survive.

FERA set out last July to purchase 250,000 bales of cotton and a considerable volume of cotton fabrics through the usual trade channels to be made up into mattresses, comforts, and sheets in community workrooms throughout the country. For the past year the manufacture of mattresses from surplus cotton has been a favorite relief work project in Southern states. When FERA took a hand this spread to other states and in Ohio 39 workrooms are today in operation.

FERA's goal was 2 million mattresses, but opposition from private industry became so vocal that Hopkins recently announced that the project would stop with 1 million. Specific instructions have been issued to state relief administrations that will bring the work to an end inside of the next 2 or 3 months. FERA has purchased to date 116,000 bales of cotton, 18.2 million yards of mattress ticking, 60 million yards of print goods for covering comforters, 20.5 million yards of sheeting, 25.5 million yards of huck and terry toweling. Suppliers of cotton and cotton fabrics have been required to purchase an equivalent amount of cotton for replacement.

Neither bedding manufacture nor other manufacturing and processing operations comprise a centralized program directed from Washington. FERA has favored such work projects but insists that no strings are attached to its allotment of relief funds, that state relief administrations literally are permitted to choose the methods of relief to which federal funds are applied. Either because of this absence of direct contact or because FERA has been trying to softpedal the whole business, practically no detailed information is available concerning the variety and extent of relief

industries. Mystery has served only to fan opposition to operations that from an industrial standpoint are negligible.

From 1.5 to 1.8 million persons are employed on all kinds of work relief, indoors and out. Perhaps 7% of these are actually engaged in some, usually elementary, form of fabrication or processing of materials, including bedding manufacture and the handling and canning of beef. Drought cattle purchases exceeded commercial canning capacity. Relief plants will continue to operate until the glut has been absorbed but disillusioned relief administrators have discovered that expert supervision is needed.

No Relief Tanning

No attempt is being made to tan hides although there was some talk about this last summer. The hides of 2.5 million head of cattle purchased prior to Sept. 5 went to the packers as part-payment for byproducts. Since that date, approximately 3.5 millions have been stored.

Vegetable and fruit canning is the commonest form of processing undertaken by relief units and is little more than a projection of a campaign that the Department of Agriculture has carried on for years past to encourage canning of household supplies on the farm.

This winter state and local relief agencies will be left to arrange for their own coal supply, but it is not likely that they will be permitted to undertake any shaft mine operations. The only mine now manned by relief labor is an abandoned strip mine in Oklahoma employing about 125 men.

As the relief problem shifts from mere provision of emergency rations and cash allowances to rehabilitation of families whose heads will never work again, the scope of work relief is becoming somewhat broader in nature, if not in volume. Because the objective is to make such families self-sustaining, these projects impinge on agriculture as much as, or more than, on industry. Such projects are few in number to date. Two settlements, Red House near Charleston, W. Va., and Wood Lake in Trinity county, Texas, have been widely publicized because they have become tangible. Wood Lake is a community of ex-white collar workers with a farm background organized as a cooperative under the auspices of the Texas ERA. The hand-picked residents were paid regular wages in construction of their new homes and will pay for them either out of wages earned in urban employment or from their pro rata share of the proceeds of the community's produce.

Administrators Hopkins, of FERA, and Moffett, of FHA, now are exploring the feasibility of providing housing for relief workers under the new Housing Act. This would bring private capital to their rescue. All such rehabilitation plans lean more to employment of the individual by industry than to competition with industry. They will sell produce, of course. Handicraft industries probably will flourish here and there but there is nothing like a little part-time employment in a privately-owned factory or shop to provide the needed cash income. So far as FERA is concerned it is apparent now that it will not fly in the face of the indignant protest of business by countenancing any extensive excursion into the field of private industry.

Why Wheat Went Sour

Grain men blame wheat price break in face of "ideal" market conditions on disruption of trading methods by government regulation.

SOMETHING has gone decidedly wrong with the marketing of this year's wheat crop. A nice balance between supply and demand that resulted partly from crop curtailment under international agreement, but more directly from widespread drought throughout the Northern hemisphere, has not been properly translated into price advances, according to the best opinion in the grain trade.

Recently world wheat prices went into a nose dive regardless of the improved statistical position of the commodity. Liverpool prices dropped 22¢ between mid-August and the first of October. Winnipeg prices, although supported by the government pool, dropped 20¢ per bu. Our domestic prices, presumably isolated from world influences, cancelled 14¢ of the late summer advance and dollar wheat disappeared from the board for a time.

Domestically the situation is not critical. More than half the United States crop has moved to market, and more of it has been hedged at higher prices than currently prevail. There is vital interest in the world situation for wheat, however, particularly if the foreign market is to be recovered for the American farmer. Secretary of Agriculture Wallace keeps this problem before the public by occasional reiteration of the opinion that United States wheat must eventually seek world levels. If the almost precise balance between supply and demand now prevailing is not bringing world price recoveries, future price possibilities become more uncertain.

Wheat Accord Imperiled

The continuance of the international agreement among world wheat producers is very much in doubt, and there are possibilities of a return to unrestricted acreage and production if the benefits accruing from mutual sacrifices of production this year are not capitalized for better price returns.

The immediate price problem is extremely serious to Canada, our best export customer. She must decide whether to stick to relatively high prices for the benefit of her Prairie Provinces in the belief that the world will eventually

Acme

"EQUAL JUSTICE UNDER LAW"—As its new home nears completion on the "Hill," the U. S. Supreme Court prepares to leave the Capitol building.

come to her, or to meet the competition and start moving her crop. Wheat is coming from Canadian farms at the rate of 3 million bu. daily but, so far in the new crop year, Canada has been exporting at the rate of only ½ million bu. daily. Argentina and Australia are going ahead marketing their old crops at sacrifice prices and, with good crops coming to harvest within 2 months, they may leave Canada only the demand beyond their supplies.

The Mathematics of It

The grain trade employs a short-cut method to indicate how nearly world supplies of wheat equal prospective demand. First the United States is set down as almost strictly on a domestic basis and consequently eliminated from the world picture. A production here of 500 million bu., plus some 270 million bu. carry-in from the old crop at Aug. 1, gives a supply of 770 million bu. Domestic consumption is expected to require around 650 million bu., the use of wheat for livestock feed in areas where coarse grain is deficient being depended upon to more than counteract any restriction on bread eating because of higher prices. There will be minimum exports, mostly as flour, and a carryover into 1935-36 crop year of possibly 100 to 120 million bushels.

The net import requirements above local production of the United Kingdom, Continental Europe and the Orient have been estimated as high as 600 million bu., but imports so far in the new crop year have run behind this figure and the estimate is generally revised downward to around 540 million bu.

Supplies, representing the net exportable surpluses of major producing nations above their own consumption and seed requirements, are made up as follows: Canada, 330 million bu.; Argentina, 216 million; Australia, 128 million; France, Russia, the Danubian and other European wheat exporters, 24 million. The total comes to 698 million bu.

Ideal Carryover

The comparison between 698 million bu. supplies and 540 million bu. requirements indicates that one or more of the major producers will be holding some 160 million bu. after the world has been supplied. But this compares with 400 million bu. left over from the 1933-34 crop, and approaches the ideal.

In the face of this, fantastic stories of international pools and conspiracies have been volunteered to explain this world price situation which climaxed in a wide-open break recently. The matter-of-fact explanation of veteran grain men is hardly less fantastic in its disclosure of tragi-comic errors that have contrived to frustrate wheat-producing nations in their attempt to get better prices.

According to men who move the bread grain from farm to flour mills of the world, Great Britain and Europe were apprehensive of the close supply situation and were about ready to enter the market as active bidders in early August when the drought scare was at its height. Indecision deterred them just long enough, however. By the first of September local crops began coming to market and took the edge off the demand.

Speculative interests had not delayed, however, and this year, in contrast to their usual custom, the speculators in England and Europe bought actual grain. It began appearing for delivery and cargoes in transit required destination orders. Caught in this vulnerable position, there was nothing for the speculators to do but dump their grain at whatever prices were available. Many evidently attempted to hedge their losses by sales on the government-supported Canadian market, creating the pressure apparent in Winnipeg at the first of October.

No Cushion This Time

There is a note of chagrin in the grain merchant's voice at this point in the recital because he feels that the United States market failed, for causes beyond its control, to cushion world prices.

Ordinarily, the European speculator, instead of buying actual wheat, would have contracted for futures on the Chicago Board of Trade. If momentarily denied the opportunity to sell advantageously, he would merely have closed expiring options and taken a more distant position. It is felt that the strong domestic grain situation would have permitted such switching with far less repercussion than that from dumping of actual grain in European millers' hands.

But the European trader feels that he has been barred from the American market by regulations and margin requirements. The government has made it mandatory upon grain commission houses to obtain 11¢ per bu. margin on future transactions. This was designed as a protection to individuals in this country and was expected to be a stabilizing factor. In this country, however, there is a great body of individual speculators without actual connection with the grain trade. The European speculator in grains is a member of the trade. He is customarily extended a line of credit by the commission house for the full amount of his initial commitment. If prices decline he daily makes good the deficiency between the market value of his contract and the original credit extension.

Out of Chicago

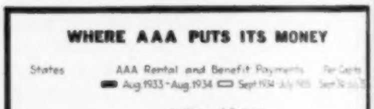
The contrasting system of heavy margins and the obligation to maintain them constantly has been resented abroad to the point where members of the trade there have simply withdrawn from the Chicago market. As events developed the wheat-consuming nations are the beneficiaries of this disruption of traditional marketing methods and the producing nations are paying the price.

There is confidence in the grain trade that price trends will tend upwards as the pressure of new crops moving to market in Europe and North America subsides. At the moment the crop prospects in Argentina and Australia are favorable and that is a further impediment to price advances but in both areas the critical season is at hand—the same "crop scare" season that comes here in late June and July. The crux of the immediate price question lies in the decision Canada makes between maintaining current prices or lowering them to get its share of immediate export business.

Buying Out Farmers

Government is getting submarginal land in large tracts under policy that bars price-boosting.

NEWS that the government has begun to spend some of the $25 millions of PWA money allotted to it for the purchase of submarginal farms has evoked a picture of AAA men chasing submarginal farmers here, there, and any-



FAVORED STATES—Where $294 millions of cotton, wheat, tobacco, and corn-hog cash went last year; where $485 millions more will go next year—a partial explanation of those retail sales surprises in the South and West.

International News

TELESCOPIC "EYE"—The biggest solid piece of glass ever cast is removed from the oven where it has been cooling for 6 months. Made by Corning Glass Works for the California Institute of Technology, it is 17 feet wide, 27 inches thick, weighs 20 tons. Fear of minor defects caused its premature removal from the oven to make way for the pouring of another disc.

where, fleeing from real estate men everywhere. It isn't like that. Even the talk of secrecy to keep the real estate men off the scent is just talk.

Washington explains that first purchases are being made in pre-selected solid tracts at points where state or local authorities advise the federal buyers that such tracts now being farmed are being hopelessly farmed and should be taken out of production. No secrecy is sought since, according to Ernst H. Wiecking, in charge of AAA land policy, "If prices asked for the land are unreasonable, the government just won't buy and if real estate operators enter the picture, the government cannot be interested." And if the bulk of the landholders don't want to leave, then there is no point in buying. This is a relief proposition in the first instance.

Land is now being bought in the Dakotas, Montana, the South and the Far West. Most of it is coming in at about $5 an acre. Tracts purchased will be turned into parks, reforested, used as game preserves. Some may go back to the states for maintenance.

Where the Farmers Go

Relief Administrator Hopkins finds that most of the submarginal farmers who get a chance to sell have ideas of their own about where they are going. Most of the others are already on relief rolls, will get relief jobs or loans to buy better land. In land bought for reforestation purposes, some residents will stay where they are, work for the forest service.

Broken Slate

Progressive element of American Bankers Association picks Tom K. Smith for line of succession.

ON the eve of the American Bankers Association convention, to be held in Washington Oct. 22-26, an important change was made in the slate of candidates for office next year. The name of Tom K. Smith, president of the Boatmen's National Bank of St. Louis, was inserted on the ticket for second vice-president. After the custom of succession in office in A.B.A., Mr. Smith is now in line for the 1936-37 presidency.

His addition to the ticket was a victory for the progressive members, who are taking a tip from the experience of the Investment Bankers Association. The I.B.A. vegetated for a number of years under indifferent direction but was startlingly revitalized under the presidency of the late Robert E. Christie, Jr., Dillon, Read & Co. partner, who died in office. Mr. Christie represented new blood in the investment field just as Mr. Smith does in commercial banking.

New to Banking

Mr. Smith is new to banking and the A.B.A. He was formerly a bond man, partner in the St. Louis firm of Kaufman, Smith, & Emmert, a municipal bond house. Drafted into the Boatmen's he has done a job there that attracted wide attention. He has public prominence, an importance in civic and national affairs. Such a figure has been sought by the forward-looking faction in the association as a means of attracting favorable public attention to the banking fraternity.

In accordance with the succession system, Rudolph S. Hecht, chairman of the board of the Hibernia National Bank, New Orleans, first vice-president of the association, is slated for the presidency next year. He succeeds Francis M. Law, president of the First National Bank of Houston. In like manner, Robert V. Fleming, president of the Riggs National Bank, Washington, D. C., now second vice-president, is scheduled to step up to the position of senior vice-president.

The highlight of the convention program comes Oct. 24, when President Roosevelt addresses the bankers. The meeting has been turned over almost entirely to government officials including Secretary Morgenthau, Chairman Jones of the RFC, and Chairman Crowley of FDIC. This has increased interest in the meeting because of the relation of banking to the government's financing problems.

Gas Price Cuts

Weakened crude control threatens crude prices, has already brought a gasoline price war.

THE rising tide of illegal oil, coinciding with the seasonal decline of the gasoline market, has started a wave of price-cutting at the service stations. This week, the wave swept over the rich Eastern markets, lapped at the doorsteps of the big companies.

New Jersey residents bought their week-end gasoline at prices 4¢ to 6¢ below what it cost them a week ago. Price cuts in Baltimore and Richmond have averaged one a day, total over 5¢ a gallon. New England and the Mid-West have enjoyed lower prices for some time; even New York has had a small cut.

Crude prices cannot stand such reduction much longer without breaking. The situation is already strained by abandonment of the plans for buying up distress oil and gas, by the steady legal weakening of the code enforcement activities.

Most hopeful note is announcement by Administrator Ickes of more rigid enforcement, but that has been threat-

ened before. Coincident with this latest promise was admission that federal agents have been chased off East Texas fields by armed guards.

L. B. Martineau, Jr., assistant to the Attorney-General in charge of oil matters, has been sent to East Texas to build up enforcement. The split tax—by which the federals aim to catch the oil bootleggers as they did the liquorleggers—has not had a real trial, but it will take a Supreme Court decision and probably further Congressional action to get the authority the situation demands.

Gasoline prices—and probably crude prices—are likely to go lower before they go higher.

Paris Models

American automobile makers, thinking over knee actions and rear engines, find food for thought in the radical developments displayed at the Paris Show.

PARIS (*Special Correspondence*)—American automobile manufacturers, like American apparel makers, watch the Paris openings. They don't sew labels on the back of the front seat certifying French inspiration, they don't copy Paris creations, but they do weigh the reactions to the developments of the foreign car makers.

Many a sound American sales point started as a radical departure in foreign car design. Independent wheel springing, for instance, was old in Europe when it was new in America. The dashing lines now visible on Woodward and Fifth Avenues have been seen on the Champs Elysées for years. Free-wheeling is another foreign-born idea naturalized here.

This year, with Detroit arguing over coil springs and leaf springs, rear engines and streamlines, the Paris Automobile Show has special and more immediate significance. *Business Week's* Paris correspondent has therefore covered it in greater detail, with closer attention to the developments which are likely to cross the water.

Paris always takes its motor show seriously; all the great makers of Europe display their latest models, their most advanced ideas; the President of France, himself, finds time to attend.

This year's display has its full quota of ideas and developments. Trends of greatest interest to American manufacturers and suppliers are those to more complete streamlining, to automatic gear-shifting, to engines in the rear and driving wheels in the front.

New Citroën models feature the front-wheel drive which has been on the market since March. Over 18,000 front-drive Citroëns have been sold since then. Engine, clutch, and transmission are all ahead of the dash, forming a compact unit under the hood. Power is transmitted directly to the front wheels by short shafts with special universal joints. Elimination of the long drive shaft to the rear permits a very low car with ample road clearance, lower—probably—than any other production car.

Chassis-less Cars

These cars have no chassis, the car body forming the structural elements carrying the weight of the car. The 7 h.p. model, which has been on the road for 6 months, has proved successful, and strong enough to use a more powerful 9 h.p. engine. A larger model is rated at 11 h.p. The pride of the line, displayed at the show and due on the market in January, is a 22 h.p. V-8 which will sell for 34,000 francs in comparison with the Ford V-8 at 35,000 francs.

The Citroën V-8 has hydraulic brakes, front-drive, streamline design with headlights moulded into the fenders, independent wheel springing on all 4 wheels. Frameless, the motor rests within a kind of tubular steel hull stamped with the body.

Another car which attracted considerable attention was the new Tatra 77, built in Czechoslovakia by a branch of the Skoda Works. In appearance, it makes even Mr. Chrysler's Airflows seem conservative. The headlights and fenders are moulded into the front smoothly; the windshield slopes back sharply at about 45 degrees; the rear slopes swiftly down, its smooth curve broken by wind scoops and cooling louvres for the air-cooled engine which is in the rear.

Cooler Wheels

Power is delivered direct to the rear wheels without universal joints. Blowers in the wind scoops aid in cooling the 60 h.p. (developed) 8-cylinder motor. Under the hood in front are the gasoline tank, the battery, 2 spare wheels. All wheels, incidentally, are of magnesium alloy, 40% lighter than aluminum and capable of quickly dissipating road heat. The interior, with motor in the rear and accessories in the front, is exceptionally roomy. Top speed is in the neighborhood of 100 m.p.h.

The Mercedes Benz 8 h.p. 4-cylinder car is another rear-engined job. This car, however, completely reverses the conventional design by driving through the front wheels. Again there is no chassis, as such, the car being built around a tubular backbone running from

Acme

PARIS AUTO SHOW—European motor makers display their wares in the big show that sets the pace in new trends and designs on the Continent.

Burroughs TYPEWRITER

ELECTRIC CARRIAGE RETURN

Makes "touch typing" complete

Touch the "Carriage Return Key" on a Burroughs Electric Carriage Typewriter—the carriage instantly returns to starting point, or to any predetermined intermediate point—and the paper spaces up automatically. The operator's hand does not leave the touch position to return the carriage—there is no interruption in rhythm, speed or ease of typing. Shifting for capitals is also electric. The size, shape and keytouch of this new machine are like other Burroughs Standard Typewriters. For a demonstration, phone the local Burroughs office. Write for free, descriptive booklet.

Typewriter Division

BURROUGHS ADDING MACHINE COMPANY

DETROIT, MICHIGAN

ACCOUNTING, CALCULATING AND ADDING MACHINES • CASH REGISTERS • POSTURE CHAIRS • SUPPLIES

the rear to the front axle. Again streamlining is advanced.

Peugeot exhibits a convertible car which should be of considerable interest to American manufacturers who have shied away from sliding roofs, and whose convertible cars have always been awkward contraptions. In the Peugeot, pushing a button causes the whole top to slide back, disappearing into the body at the rear. The top may be closed automatically, too, in a few seconds.

One of the outstanding displays was the new Cotal gear shift, which has been adopted by 4 French automobile builders, Chenard & Walcker, Unic, Licorne, and Salmson. This is a double planetary gear controlled from the steering wheel by a switch. The usual clutch is used only in starting the car in first.

Americans in Paris are of course impressed by the sweeping lines, the daring designs of the new foreign cars, but the minor ingenuities also delight them. One gentleman, who had wrestled with carpets, floor boards, and trap doors in order to check the storage battery, was most impressed by the simple logic of the Citroën which places the battery high on the dash, right under the hood where it can be inspected without disturbance whenever the oil is checked or the radiator filled. Which is an idea for Detroit.

Field's Goes Afield

Chicago store's move to garment center is seen as forerunner of further expansion.

CHICAGO'S own Marshall Field & Co., working through its wholesale division, is going after dress business in a big way beginning Nov. 1. But that activity will not center in Chicago. Designing studios, sales and stockrooms are being established in the heart of New York's garment district, where style experts, fabrics, accessories, experienced workers are always available and where new styles and designs can be "tried out" on a constant procession of buyers. Only fully approved numbers will be included in the regular Marshall Field line. Once approved, samples of new items will be rushed to Chicago for faster and more efficient service to Mid-Western buyers.

Those who keep watch on the big Chicago store claim that spreading into the dress field on so broad a scale is merely one step in a general revamping. They mention the recent reorganization of the company's entire corporate structure, by which important manufacturing and merchandising subsidiaries ceased to function under separate corporate charters and were placed under the blanket of the Illinois corporation. And they cite as significant in its own small way the recent installation of escalators at State Street over what has been reported as executive prejudices against these modern aids to bigger sales volume.

There are some prophets who even predict that Field's is likely to acquire more retail sales volume by picking up some already established stores outside of metropolitan Chicago.

Fish Fast

For a novelty, the buyers instead of the workers strike, and New York City goes short of fish.

BUYERS, not workers, struck this week in New York. Fulton Market Fish Mongers' Association, century-old survivor of a thousand mere labor troubles, survivor also of a century's flux of ideas in the selling of sea food, admitted to Markets Commissioner William Fellowes Morgan that a new order threatened its mild tyranny and stern rule.

At Fulton Market there are commission merchants, operating on a 12½% consignment basis, who are at the same time wholesalers of fish to the 900-odd specialized fish retail stores of the city plus all the other buyers. These other buyers, important, represent a trade that flows uptown into great hotels, gaudy restaurants, exclusive clubs, and even into the well sanitized cedar-wooded bins of retailers to Park and Fifth Avenue credit accounts.

In Greater New York, 3 retailer associations dominate. Their names and incorporated status are brief but obscure, but in reality they represent the Italians (Catholic fish fasters); Jews (Holy Day and ritual flesh-eating observers); and just plain Protestants or indifferents.

The Italians and the Jews told the Fish Mongers' Association that henceforth and forever, it must not only lower its wholesale prices, but forever cease and desist from selling to:

A. The tremendous hotel, restaurant, and club fish supply houses, buying at dock, retailing virtually;

B. Certain chain stores, unspecified;

C. And still more certain large, prosperous, ancient retailers, of glass-encased and marble-countered merchandising tradition, Murray Hill, and the other 6 aristocratic mountains of Manhattan.

Market Commissioner Morgan, Harvardian, and public-spirited La Guardian, thundered at them through translators about the misdemeanor that it is to commercially conspire within the state, of the felony that it may (or may not) be to Sherman-law-wise conspire in restraint of interstate commerce. There was no response, no disrepect. But 400 plain-clothes men, perhaps sent by La Guardia to friend Morgan, protected 400 wholesale booths against kerosene sprinkling. For a few days, at least, mighty Manhattan may have to fish-fast.

Retail Union

Would put all kinds of stores together in Retailers Council.

RETAILERS of every type and size and in every line are to be urged to join the Retailers National Council now being rejuvenated under the leadership of Dr. Paul H. Nystrom, president of the Limited Price Variety Stores Association.

National unity has been conspicuously absent from the country's largest single class of business. The only important organizations in retailing represent individual, often conflicting, branches—hardware, dry goods, shoes, clothing, furniture, etc. When enactment of NIRA called for the formulation of a code for the retail trade, 8 national associations did a cooperative pinch-hitting job for the national organization that should have represented the majority of the 1½ million stores affected.

The committee working on the reorganization of the Retailers National Council is preparing plans that will provide suitable representation for retailers in all lines, and particularly give the small, previously unattached independents a voice.

Details are to be announced at a meeting of the council, to be held in Washington concurrently with the November meeting of the National Retail Code Authority.

Better Street Cars

Transit companies, getting more revenue from heavier traffic, will buy equipment this year.

TRANSIT officials' interest in 4 new street cars displayed during their convention in Cleveland was not merely esthetic, not merely a natural desire to keep abreast of what is newest in their field; companies have reached the point where it will be necessary this year to buy equipment to replace obsolete cars. Increased traffic which nearly all of them report makes this necessary; better revenue makes it possible.

First evidence that the crowds of transit men who rode the new cars at Cleveland were not merely curious is the request of the Capital Transit Co., Washington, D. C., for prices from manufacturers on 12 to 20 new cars, which will embody approximately the operating characteristics of the newest designs, but be simplified so as to bring the cost down.

That, by the way, summed up the general reaction of the industry to the new models. They were interested in new buses, too, and a substantial number of orders were placed after inspection of 38 motor buses and 2 trolley buses on display.

NOT ONE SIDEWALL FAILURE WITH TRIPLE PROTECTED SILVERTOWNS

Get this new tire . . . proved safer from "Failure Zone" Blow-outs

NO ONE ever built a truck tire like this before! Truckers everywhere had been complaining that their tires went to pieces in the sidewall. 80% of premature failures occurred in the sidewall "Failure Zone."

Goodrich engineers rolled up their shirt sleeves—went to work. They built an utterly different kind of truck tire. A tire with Triple Protection in the sidewall.

Laboratory tests were startling! Road tests made old-time tire men blink their eyes. Here's what happened:

Many tires were built, half of each with ordinary construction, half with the new Triple Protection. Mounted on heavily loaded trucks, these tires were given the ride of their lives. Day after day over rough, bumpy roads—hundreds of miles—thousands. Every tire was run until it failed. Every tire failed in the sidewall. Every tire failed in the half made the ordinary way! *Not a single break occurred in the sections having Triple Protection!* That's the kind of tire you need to avoid delayed deliveries, lost time and big repair bills. Here are the three features that make these savings possible:

1 **PLYFLEX**—a *new*, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall distributes stresses and strains—prevents ply separation—checks local weakness.

2 **PLY-LOCK**—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

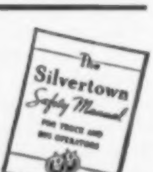
3 **100% FULL-FLOATING CORD**—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

No Extra Cost

Why take chances when—at no extra cost—you can secure Triple Protected Silvertowns? See your Goodrich truck tire dealer today.

FREE! Valuable Book

A copy of the Silvertown Safety Manual for Truck Operators is yours for the asking. How to cut accidents. How to win free Safety Awards. Save money. Write Department T-153, The B. F. Goodrich Co., Akron, Ohio.



Goodrich *Triple Protected* **Silvertowns**

FOR TRUCKS AND BUSES

Business Week

BUSINESS AS USUAL—When a pretty girl is an amateur typewriting champion, it's a business picture. So—presenting Miss Remo Poulsen of Waterbury, Conn., and the 31st National Business Show. Record: 160 words a minute.

Business Show

Office equipment concerns exhibit new aids to business. "Biggest show ever" looks like happy augury.

WHEN business men came away from the thirty-first National Business Show in the New York Port Authority Building's Commerce Hall this week they carried with them the assurance that when business really starts to go places it will be dressed to the nines for the occasion. Office equipment manufacturers had evidently come to the show with the conviction that business was going places right away. They filled up 40% more floor space than ever before.

Challenge Met

Displays indicated clearly how the depression years have challenged the ingenuity and invention of the office equipment industry and how the challenge has been met with aids to business efficiency and devices serving to speed up office work and cut costs. This year, like previous years, brought to the Business Show fresh results of engineering and research to encourage the sales departments and the customers. This year, unlike most recent years, there was also talk of impending price increases in the office equipment field, with typewriters starting the procession.

Typewriters came to the show with new features and new speed records. A new Royal, the silent L. C. Smith, Burroughs electric carriage return machine, International Business Machines' Electomatic, the Remingtons, and the Underwoods were on hand for the hands of the stenographic virtuosi whose finger-dances are stock features of the show. They were supported as usual by duplicators and files galore, by modernized dictating machines that made you wish you could junk the old one.

Perhaps the most dramatically interesting machines for those who follow office equipment closely were IBM's new proof machine for banks and Remington Rand's central records control.

To the new proof machine—product of years of research, development, and tests by International Business Machines —go bunches of checks. The operator runs an adding mechanism with her right hand. Her left controls 24 sorting keys for alphabetical divisions, clearing-house member banks, and other classifications. After recording the amount on each check, she presses one of the 24 keys and drops the check in a slot. The checks come out sorted in 24 bundles. Twenty-five adding machine tapes give listings and totals for the bundles. A master tape gives a complete listing with code designation opposite the amount.

Central records control is the final development of retail store work that M.I.T. Professor L. F. Woodruff started years ago. A test installation has been used since 1930 at Kaufmann's department store in Pittsburgh. It is a combination of the principles of the dial telephone, punch card accounting, and other devices. When a sale is made, the salesperson puts into a machine a card detached from the product sold, a salesperson's card, and either a cashier's card or a charge customer's token. Automatically sales are electrically reported to a central office where tabulating machines run off every needed analysis.

Burroughs brought an innovation in adding machines—an adder with two accumulating registers, each controlled by its own motor bar. The double bar for register selection permits adding two classes of related figures, such as old and new balances, cost and selling price, quantity and value, etc., and obtaining independent listings and totals of each.

The "Century" Influence

The Century of Progress type of exhibit has affected all shows. National Cash Register Co.'s three-quarters of a block of vividly lighted booths, each containing equipment bearing on one particular problem, would get attention anywhere. The Burroughs, Addressograph, International Business Machines, Remington Rand, Monroe, L. C. Smith, and Underwood-Elliott Fisher exhibits all went to new highs in design.

All was not machinery at the show. The New York Police Department attracted crowds with its displays of police equipment. *System and Business Management* asked executive-ish-looking men to vote on NRA—and found that 57% of the first two days' voters favored NRA's retention with some qualifications. Western Union boys dashed through the crowds on roller skates. And the lady who used to be "America's most publicized secretary" had another day in the limelight. In case you have forgotten, it was Miss Frances M. Robinson, General Johnson's assistant. Wednesday was "Robbie Day," said the show's publicity men.

Super-Market

IN the old farmers' market of downtown Albany 600 New York farmers last year sold 82,000 truck loads of produce valued at $4 millions, and competition among them for space in the 1½-acre square was almost as keen as the competition in selling their wares. The same farmers this year have a 25-acre tract in the Albany suburb of Menands. Here one of the most ambitious of the farmers' markets sponsored by FCA is marked off into stalls which rent to farmers at 50¢ a day, $36 a year, has an administration building housing the manager's office, barber shop, drug store, restaurant, brokers' offices, will also have a series of private produce commission house establishments.

SHE: "What's that they're saying, Henry?"

HE: "They're saying, 'The average age of GOLDEN WEDDING RYE is 4 years old . . . and it's <u>ALL</u> whiskey.' But that won't interest you."

SHE: "Want to bet on *that*, too, Henry?"

Don't Guess—Demand

GOLDEN WEDDING RYE

AVERAGE AGE **4 YEARS OLD**

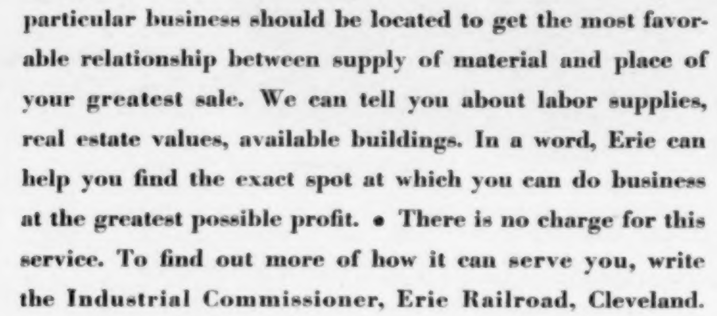
Golden Wedding also obtainable in BOURBON

For really fine gin . . . try Silver Wedding Gin

A *Schenley* PRODUCT MADE IN U. S. A. . . . LOOK FOR THE MARK OF MERIT

Put Your Business on the ERIE to put More Business on Your Books

• In these changing times there is a constant shift of markets, labor supply, sources of materials. Your profit depends very largely on your location in relation to all three. • Busy with business, you cannot be expected to keep up with the shift and trend, but Erie Railroad does it for you. We have a department constantly studying, charting, analyzing the changes in American markets. We can tell you where your particular business should be located to get the most favorable relationship between supply of material and place of your greatest sale. We can tell you about labor supplies, real estate values, available buildings. In a word, Erie can help you find the exact spot at which you can do business at the greatest possible profit. • There is no charge for this service. To find out more of how it can serve you, write the Industrial Commissioner, Erie Railroad, Cleveland.



ERIE RAILROAD SYSTEM

THE HEAVY DUTY RAILROAD

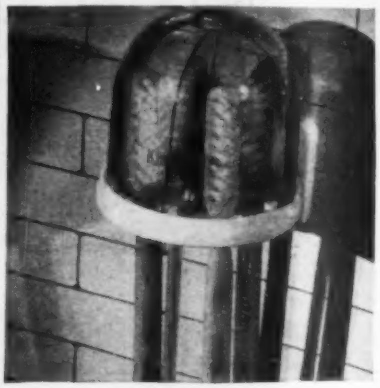
New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

SCHRADER announces a new valve stem, the Dubltite, made entirely of metal, cured into a thick, strong base of rubber which is vulcanized into the tube to be permanently air-tight at the base.

U. S. RUBBER announces another improvement for the motorist: the vented tube, which has channels moulded in for the escape of air trapped between tube and casing, eliminating blowouts due to air blisters, removing a principal cause of ply and tread separation.

MINNEAPOLIS-HONEYWELL has put the thermostat outside the house, called it the Weatherstat, because it regulates inside temperature according to outside conditions. Takes into account the wind, the heat of the sun, the outside temperature.



THE Koleda Tooth Brush Guard carries bathroom sanitation forward another step. It provides an individual ventilated compartment for each brush, protecting it from dust and contamination during the 23 hours and 50 minutes it is NOT in use. The base is of moulded white Plaskon, the dome of heavy glass; a notched rubber disc permits easy insertion and withdrawal.

ATWATER KENT confirms rumors that his dealers will soon be selling Atwater Kent refrigerators in popular sizes. Details are being withheld, are said to include all-porcelain freezing unit, cold control with week-end vacation position, removable shelving, food racks, and all the little conveniences which the refrigerator industry has convinced the housewife she needs.

SOCONY-VACUUM has organized a Railroad Division for direct sales of petroleum products to that field. Reason: growing market for lubricants, recent developments in Diesel trains.

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Remington Rand Inc.
BUFFALO, NEW YORK

In addition to Powers Production Control, Remington Rand has recently added another system . . . Remote Control Accounting known as "Central Records". Both use standard Automatic Electric Company's telephone control equipment.

Movie Climax

Validity of William Fox's 2 vital Tri-Ergon patents is upheld by the U. S. Supreme Court. But, even at that, he still has a fight on his hands.

BEFORE he began running for governor and frightening California capital, Upton Sinclair wrote a book describing the pursuit and capture of William Fox by a banking group of which Albert Wiggin was M.F.H. Rival bards described it as the capture of the bankers by wily Mr. Fox, since he got $18 millions in cash to relinquish his much-involved film interests. Now, to a burst of triumphant music, Mr. Fox reenters the film picture armed with a U. S. Supreme Court decision which may make him a dominant factor in the industry.

What He Gets

The Supreme Court, by refusing a review of 2 decisions by lower courts, upheld the validity of Mr. Fox's Tri-Ergon patents on the projector flywheel and the double film printing process (*BW—Jun23'34*). Both are vital to present practice. The flywheel assures smooth emission of sound; the printing process involves printing sound and pictures on separate film strips simultaneously, then combining the 2 on a single master negative.

Movie companies which made anguished outcry at the hardboiled contracts thrust on them by Radio Corp. and A. T. & T.'s Electrical Research Products, Inc., are now emitting more pleasant sounds. Under a patent pool, the manufacturing companies sold the sound installations and collected the printing process royalties which are held infringements of Fox patents. In return, R.C.A. and E.R.P.I. assumed the risk of litigation costs and damages. R.C.A. defended the flywheel suit; E.R.P.I. fought the printing suit. E.R.P.I. has informed theaters using its equipment that they are not affected by the flywheel decision against R.C.A. This is taken to mean that E.R.P.I. will now fight out a suit filed in Delaware some years ago challenging its use of the projector flywheel. A decision against Fox here would leave the way open for another appeal to the Supreme Court.

In addition to future payments, the Fox claims now constitute a direct threat to R.C.A. and E.R.P.I. installations of 8,000 sound-movie theaters in the United States, a service charge collected from them, and royalties on film printing. Most of the houses have Western Electric equipment. The theaters paid an estimated $50 millions for the equipment, which included projectors with the flywheel. A service charge of $15 to $40 a week for each theater produces around $8 millions annually. Another $3 millions in royalties is paid each year on the double printing process; this is at the rate of $500 for each negative reel of 1,000 ft. released.

Striking Back

Actually, Mr. Fox still has a battle on his hands. The Fox Film Corp. (now completely divorced from its founder) is suing Fox for possession of the Tri-Ergon patents, claiming that he bought them for the company and had no legal right to assign them to himself. Research organizations are experimenting on new gadgets to get around the flywheel and on a single process of film printing that would avoid future royalties. Again, the validated Fox patents are only 2 out of 2,000 to 3,000 in the field. The prospect opens long avenues for speculation, many of which are especially inviting to the legal profession.

Business Week

RADIO NEWSPAPERS—Facsimile transmission by radio gets nearer practical realization with this new receiver, developed by Charles J. Young of RCA (son of Owen D. Young) of GE. This is an experimental model; finished units for homes are more compact, could be plugged into domestic radios for $20 or less.

Old Patent Wins

Right to royalties on favored sewage disposal system upheld by Supreme Court, imperiling $130 millions of new construction.

CITIES which have planned to spend $130 millions of PWA loans building sewage disposal plants, and cities which have been operating such plants for years, are disturbed by a decision of the Supreme Court last week, the effect of which is to sustain the right of Activated Sludge, Inc., to collect royalties on its patented process, used for many years in Milwaukee, for shorter periods in other cities, and contemplated in all but one of the projected plants.

No one knows what Milwaukee, Chicago, Indianapolis, Cleveland, and scores of other communities may be asked to pay in royalties. The only clue is that the patent holders offer to settle in the District of Columbia for $200,000 as royalties on a plant not yet built, but which will start operation just before the patents expire in 1936. That would indicate that Milwaukee might be called upon to pay several millions of dollars.

PWA has set aside $130 millions as loans to cities which want to build sewage plants. The Washington plant was to cost $8 millions, be built in 20 months. Municipal authorities have 3

choices: (1) to negotiate with Activated Sludge, Inc.; (2) to delay construction until patents expire in 1936; (3) to turn to lime processes, of which there are several. One is advocated by Guggenheim Bros., one by the subsidiaries of American Cyanamid. Most of the lime processes demand royalties, but all require less original capital investment. They are alleged to cost more to operate, but there is not enough large-scale, long-term experience to give convincing comparative cost figures.

Municipal engineers would feel easier if the sludge patents had longer to run. In that event, it would be good business for the sludge patent holders to keep royalties low enough to preserve their economic advantage as against other systems.

Marked Payrolls

Ohioans find just how valuable Sohio's payroll is when oil company pays workers in silver.

INTO the cupped hands of many Standard Oil of Ohio local employees on certain pay days last summer went no checks or greenbacks but weighty bags of silver dollars instead. Sohio was not trying to popularize silver. Labels on the money bags told employees it was a "Flow of Money Test."

Some 70,000 cartwheels ("Sohio dollars") were thus distributed in 9 Ohio towns in experiments patterned after one conducted in the same region earlier in the year (*BW—Mar31'34*). Then it was the Burgess Battery Co., Freeport, Ill., which paid its workers with the bulky money, and emphasized to everybody its important position in the home town.

Sohio's experiment sought to demonstrate "dramatically the value of industrial and commercial payrolls and how they circulate through the tills of the merchants."

Silver dollars were used because they were easily traced, being about as common in Ohio as ostrich farms. The aid of stores, banks, business organizations was solicited, and the employees themselves were asked to list their silver dollar expenditures during a 2-week period. The 9 Ohio towns which were covered ranged in size from Marion's 31,000 to Toledo's 290,000.

Where the Money Went

Figures from 8 of the 9 communities show that, on an average, nearly 23% of the test payroll went for food. Rent was next highest with 15.1%, followed by 14.7% for insurance, savings, building and loan, and finance company payments. Department stores came in for a 10.1% slice, utilities and fuel 7.4%, and auto supplies and accessories 7%. Furniture got a 3.5% portion, doctors and

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dairies 2.5% each, drug stores 1.5%, and theaters 1%.

There were wide variations, however. In Mansfield (pop. 33,000) only 18% of the purse went for food, while the Portsmouth (42,000) proportion was 27%. Rent ranged from 9.5% in Marion to 20.5% in Portsmouth; department store expenditures varied from 8% to 16%.

Contrary to expectations, expenses in the larger cities were not greater than in the smaller ones. In the 2 biggest cities savings, including insurance and building and loan and finance companies, were well above the average.

Silver Flurry

Price rise following Chinese export tax leaves silver issue more confused than ever with the Treasury sitting tight and saying nothing.

THERE were new fireworks in silver this week when the United States told China, "Sorry, we have a law that requires us to buy silver," and China responded with an export tax that pretty effectively embargoes shipments of metal from that country, which has been the major source of supplies.

Prices shot up 5¢ per oz., immediately, reaching the highest point since early 1929.

The first reaction of silver dealers and speculators to the episode was that the Treasury's hand had been tipped off. They took the note to China to mean that the Silver Purchase Act was construed as obligatory on the Administration, whereas the previous impression was that buying could be undertaken according to the inclination and convenience of the Treasury and in relation to its other financial problems.

First Impression

In view of this attitude toward the law, the impression arose that the Treasury had to continue purchases regardless of price increases. If Chinese silver was no longer to be available, higher prices appeared inevitable.

More thorough analysis of the situation, however, called attention to the fact that the 5¢ rise in price corresponded approximately to the initial impost of the Chinese on exports. The tax was 10% but subject to upward revision to any point required to stop exports. Best information in the trade also disclosed that it was not buying from this country that occasioned the rise. It was credited instead to covering abroad of speculative commitments contingent upon obtaining Chinese silver. Since even cargoes already on shipboard were made subject to the duty, the price of the metal had to accommodate the tax.

This diagnosis was confirmed later in the week when elevation of the Chinese duty brought no further reaction in silver prices but, instead, depressed Chinese exchange. The interpretation of this development was that silver markets would not bid indefinitely higher and that the tax, by embargoing exports, in effect suspended specie payment of Chinese bills.

The outcome of the week's events is to leave the silver issue worse confounded. Real factors as to how much the Treasury has purchased, how aggressively it is pursuing the buying program, what it will ultimately do with its silver, remain shrouded in mystery.

Secretary Morgenthau intimated that purchases are being used to offset the favorable mercantile balance of foreign trade; in other words, that silver is being bought in lieu of merchandise and absorbed by the government in order to put dollar exchange in the hands of foreign customers for American goods.

Washington was probably as surprised as anyone else at the sudden spurt of prices. The State Department was probably displeased in view of the embarrassment it had already experienced in the Chinese episode over high prices.

Whether or not the Treasury was displeased depends upon its underlying motive in the silver program, so far undisclosed. Higher prices are the presumed purpose, but increasing prices curtail the potential "profit" on silver under the system of issuing $1.29 in currency against each ounce.

There is as yet no inflationary significance from developments in silver. Currency is being issued against metal acquired only in sufficient amount to pay for it. The rest of the metal goes to decorate mint vaults. Purchases are helping to hold down the dollar in foreign exchange and are preventing further imports of gold. These are inflationary in character but if silver were not used in this way the same thing could be accomplished through the equalization fund.

Butter Business

Relief buying makes butter figures look better than they are.

THE butter industry is beginning to worry again. For the first 8 months of 1934 consumption is estimated by American Association Creamery Butter Manufacturers at 1,158,540,000 lb. While 51.4 million lb. higher than in the first 8 months of 1933 and also in excess of consumption in corresponding periods of each of the 3 preceding years, the situation isn't as good as it looks.

The gain has been mainly due to butter-buying by the Federal Emergency Relief Administration. With butter on hand Jan. 1 and bought since, this organization's purchases exceed 60 million lb. This situation tells the industry that consumer purchasing power is not greatly above that of 1933.

A Surplus Problem

Some concern is expressed over the situation in New York state. Milk surpluses are being accumulated, the cream from which is being skimmed and sold for butter making. Production figures indicate no gain in output, but rather a reduced demand for milk. The milk surpluses in the East were a worrisome problem a year ago.

Another development which indicates that consumer demand is not as promising as Washington would have the nation believe occurred in August. In that month, butter prices rose, bringing about decreased consumption and an increased use of oleomargarine. In consequence, oleo consumption in the first 8 months of this year, aggregating 151.9 million lb., was only 1.2 million lb. less than a year ago.

Wide World

HOWARD S. PALMER—He advances from vice-president to president of the New Haven, succeeding J. J. Pelley, who left to head the Association of American Railroads.

Wide Reading

THE TURN OF A SCREW. Robert R. Doane. *New Outlook*, October. Estimates on the percentage of American homes which are supplied with 25 so-called "staple" conveniences, from bathrooms to mechanical refrigeration.

CAN SINCLAIR WIN? Webb Waldron. *Today*, Oct. 6. The astonishing sweep of the EPIC plan outrages the souls of many citizens, but election result is in doubt.

MACHINE EXPANSION PROGRAM FOR THE SECOND FIVE-YEAR PLAN. A. M. Wasbauer. *American Machinist*, Sept. 26. What machine tools Russia now produces, and what will be produced each year through 1937. Auto production program at Stalin plant through 1941.

REPORTS—SURVEYS

CONTROLLING DISTRIBUTION COSTS, by Carle M. Bigelow, and THE RELATIONSHIP BETWEEN YOUR COMPANY SALES AND GENERAL BUSINESS ACTIVITY, by E. B. Whittemore. National Association of Cost Accountants, 29 pp. Published together as a bulletin of the N.A.C.A. The first is a discussion of the advantages to be attained and the problem involved in maintaining adequate control of distribution costs. The latter deals with the use which an individual company can make of general business indexes in comparing them with their own sales curves. Illustrated with 7 charts.

WHERE THE WHOLESALING IS DONE. Neal G. Adair. *Automotive Business Magazine*, 86 pp. Study of the relative importance of various distributing points in the U. S. for automotive equipment, giving a nation-wide analysis of the distribution of the sales of 50 manufacturers who sell through jobbers. Relative rank of 1,173 cities in wholesaling $28 millions worth of merchandise in 1933 is shown.

1934 KEY MARKET STUDY — ESSEX COUNTY, NEW JERSEY. *Fuel Oil Journal*, 14 pp. One of a series of reports for individual cities or areas analyzing sales conditions and essential marketing facts for automatic heating and air-conditioning equipment. Data shows general basis for market in each area, with specific data to show actual sales possibilities for various types of equipment.

DRUG STORE CHAINS IN CANADA, 1930-33, and VARIETY-STORE CHAINS IN CANADA, 1930-33. Dominion Bureau of Statistics, Ottawa. Two studies from the 1933 Census of Merchandising and Service Establishments in Canada, with data through 1933 on number of chains, number of stores, net sales, number of employees, index of yearly sales for the Dominion and in individual provinces.

BOOKS

BEYOND THE NEW DEAL. David Lawrence. McGraw-Hill, 316 pp., $2.50. Essentially the more conservative reactions to the New Deal, but with many views and obviously aiming to be fair-minded.

SALES TAX—GENERAL AND RETAIL. Daniel Bloomfield, compiler. H. W. Wilson, 242 pp., 90¢. Valuable collection of facts, record of experience, opinions, important to business at time when all subdivisions of government are seeking methods of collecting revenue from previously unexplored sources.

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Business Speaks for Itself

II. Poll of business opinion on price stabilization plans under NRA indicates why they have worked for some industries, not for others.

PROFIT is the prime objective of all business. Price determines profit. Stabilized prices mean stabilized profits. If the steel, lumber, electrical industries could get price stabilizing plans approved in their codes, why not others?

Thus reasoned code committees that used some of the first codes for a pattern. Nature of product, marketing practices, overlapping problems, were frequently disregarded in the scramble for codes that would insure profits. So 286 of the first 500 codes contain some pricing provisions.

Not Good Everywhere

These worked where such practice was justifiable from the standpoint of both the industry and the public. Elsewhere, they caused dissension, confusion, have provided ammunition for those who wish to scrap the entire NRA program.

Among 100 industries whose opinions and experiences under NRA were polled by *Business Week* (*BW—Oct13'34*), 81 voted on price stabilization, with 43 (over half) reporting on the open-price plan and 38 on various other methods. In the latter group, members of 21 organizations want to have the pricing provisions in their code retained in their present form, while 17 suggest varying changes and none want complete abandonment.

Of the 43 industries reporting specifically on the open-price plan, 34 want to continue it undisturbed, 8 propose modifications, and 1 group threatens early abandonment.

Two Key Factors

A careful analysis of the confidential expressions of opinion brought out in the poll demonstrates that the success or failure of price stabilizing plans is determined chiefly by two factors: the product involved, and the amount of experience an industry has had in cooperation.

Only 3 of the 21 industries that voted for continuance of various pricing plans make goods that the general public buys in the same form, are truly "consumer goods" industries. A few have products that are used in maintenance of service that the public buys. The balance make articles that are accessories, parts, or tools used in productive processes or machinery and entirely removed from any direct public interest. However, 10 of the 17 industries that admitted unsatisfactory results do produce consumer goods, and some of the other industries in this complaining group make borderline products.

In practically every case, the degree to which a product is removed from the "consumer goods" classification has determined the degree to which price stabilization plans proved satisfactory, justifying the conclusion that the farther removed, the more workable.

The votes of industries that have been operating under the "open-price" plan confirms this. Of the 34 reporting satisfaction with the plan, only 1 produces a consumers' item, while 7 of the 8 groups claiming that changes are needed are concerned with consumer goods, and the one group that votes for abandonment of the plan represents a processing industry.

That experience in intra-industry cooperation determines the degree of success or failure of efforts toward price stabilization also is clearly indicated by analysis of these reports. Among the industries claiming satisfactory results are many that can point to long years of successful cooperation. Others, because of the limited and well-known number of individual producing units, found it easy to organize for effective cooperation.

Lacked Cooperation

In contrast, the group of complaining industries includes several which, prior to NRA, had no national organization, some that were loosely organized and others in which the number of small units, or the strong regional, price or other competitive differences have always prevented national industrial cooperation.

Size of industry apparently has no direct bearing on the success or failure of price-stabilizing activities. In practically every group some counting their annual output in billions vote along with others reporting but a few millions of volume.

German Lines Split

Lloyd-Hapag is being broken up into regional units, but the financial burden of the parent companies is not eased.

THE spliting up of large business concerns was one of the main Nazi economic policies—before they assumed power. Like many other Nazi economic slogans, this one was also subordinated to the major aim of creating new jobs for the unemployed. So far, the splitting up of the Steel Trust (Vereinigte

Stahlwerke) into a dozen operating companies has been the only outstanding move in this direction. But even this step meant only a somewhat greater amount of executive independence for the new subsidiary companies and was by no means a return to past days of individual ownership and operations in one of the most capitalistic of German industries.

This also applies to the "decentralization" of the mammoth Hapag-Lloyd union just announced. Ever since January, 1933, this shipping concern, formed less than 5 years ago, has been accused of bureaucracy and rigidity of operation.

Will Be 3 Services

Guiding principle of the reconstruction of the Hapag-Lloyd concern has been "regional decentralization" of the main services. To start with, 3 such services will in future be grouped into independent operating units: (1) the South-America Line will take over all other services of Hapag-Lloyd with South America; (2) the German Africa Lines will in future operate all Hapag and Lloyd ships engaged in African services; (3) finally, the "Levant Line" will take over all ships of both lines engaged in Near East service.

There will apparently be no immediate change in ownership and control, since all 3 now "independent" lines are controlled jointly by Hapag-Lloyd. To provide independent finance for these companies was, of course, a hopeless proposition under present circumstances.

However, it has now been announced that Bremen financial interests have been given an option for the capital of the reorganized Africa Lines, while Hamburg financiers and shipowners have promised to provide the necessary capital (3,000,000 marks) for the Levant Line. In other words, all these changes will not bring, at least for the time being, any financial relief to the joint parent companies whose final reconstruction, long overdue, is constantly being postponed.

Doesn't Get to Bottom

The regional revamping of existing lines does not strike the root of the evil—the world shipping depression and the uninterrupted decline of German foreign trade. Freight receipts were fairly satisfactory during the first half of 1934 when the Germans rushed all kinds of raw materials into the country before the gates of the new import control closed. But since July there has been a sharp drop in tonnage handled. Even during the first half of the year, operating results were unsatisfactory. In the case of Lloyd, in spite of the larger volume of freight, receipts declined by 17% (compared with the first half of 1933), while operating expenses could only be reduced by 8%.

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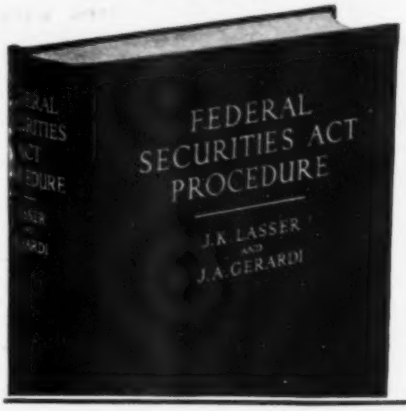

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Business Abroad

Second thoughts on probable developments in Yugoslavia, both political and economic. Analysis of Britain's new capital issues and foreign investment returns. Production in most countries begins to climb.

To THE average American, Yugoslavia is "one of those Balkan states," scarcely larger than Oregon, and with a population slightly greater than New York. To Europeans, who always dread a Balkan eruption, Yugoslavia is a country almost the size of Great Britain, with twice as many inhabitants as Holland, and is a key to peace in southeastern Europe. Ten days of thoughtful reflection following the Marseilles assassination of Yugoslavia's king and France's foreign minister have not changed first conclusions. There will be no immediate crisis. Ultimate outcome is another question. It's likely to follow these lines.

What May Happen

Most obvious fear is that civil war will flame up in Yugoslavia. Made up of many racial groups, the country has always recognized the major differences between Croats, Serbs, and Slovenes. Under the firm dictatorship of the late king, all three were held in line. The Croats, however, have created a vigorous opposition which may now demand autonomy. Not a few well-informed Europeans believe they could readily find foreign financial backing from several countries (especially Italy) which, if they don't have territorial aspirations, at least desire a weakened Yugoslavia.

If the Belgrade regency—with the backing of France—is able to hold Yugoslavia together, at least the development of a "new deal in international friendship" in the Balkans is retarded. And it was the major hope for ultimate economic collaboration between these states. An upset in Yugoslavia can mean the end of the new non-aggression agreements between Rumania, Turkey, Greece, and Yugoslavia. It can end the new efforts to cultivate friendly relations with Bulgaria, and with an old and bitter enemy, Italy. It can end the effectiveness of the Little Entente (Czechoslovakia, Rumania, Yugoslavia) which is the key to France's continental security. One move now to change Versailles boundaries would start a whole chain of demands by minorities for adjustments. Germany, Hungary, Bulgaria, and Italy would immediately present claims, once the controversy is opened.

New Lineup of Powers

From the political angle, the significance lies in the possible shift of European alliances. Poland started this recently by cooling its relations with France, warming up to Berlin. Rumania has just had a cabinet upset over the same issue, and the new cabinet is at least more tolerant, if not openly friendly toward Berlin. No country has yet replaced France as the dominant power in European diplomacy, but the French position is weaker than it was a year ago, and some question has risen whether or not Germany is winning a small and still lukewarm following in return for promised economic concessions which France is unable to make.

A hasty appraisal of economic conditions in Yugoslavia helps in understanding the situation. The country is 80% agricultural. Major exports are timber, grains, fruits, fresh meat, and crude ores. Farms are small, however, and there is a growing understanding that the country cannot compete effectively in world grain markets, that it will do better to specialize on meat, fruit, industrial farm products, and horticulture, and attempt to build domestic industry to absorb the basic products of the country and give broader employment.

Yugoslav Industries

Industrially, textiles, metallurgical and chemical production, and paper-making employ the most people. Copper, iron, and coal are mined. Though production has jumped rapidly in the last 10 years, it is still small compared with the potential resources, which need capital and initiative. Most mines now operating are controlled by French and British owners. It is only in recent years that domestic capital has begun to develop local resources on a large commercial basis.

Austria has been the country's best market in recent years, with Italy a close second. Germany takes 14% of Yugoslavia's exports; Czechoslovakia, 11%. Austria and Italy each provide about 16% of all imports; Germany and Czechoslovakia about 13% each; United States only about 5%.

Austria Is Best Market

It's only in the last 10 years that Yugoslavia has been sufficiently stable to develop a consistent foreign trade policy. Business with Vienna has bulked so large because old trade chanels all flowed to Vienna. Yugoslavia's great natural outlets are Italy and Germany where food and raw materials are wanted in return for exports of manufactured goods which Yugoslavia needs.

With interest on foreign loans in default (the bulk to France, but some to Britain and the United States), it is impossible now for Yugoslavia to secure new capital essential for industrial development. Best alternative to actual new capital is an outlet for exports. United or divided, Yugoslavia will ultimately ally itself with the country which makes the best offer along this line. If the country holds together, it can probably play Italy against Germany to its own advantage. That seems to have been the policy which Alexander had pursued so shrewdly.

Great Britain

Funds begin to flow into industry. New issues analyzed. Return from foreign investments makes good record.

LONDON (*Cable*)—Outstanding feature in British business at the moment is the rush of new capital issues. Although many of these are for refinancing purposes, there are a fair number inviting new money for new enterprises. Herbert Green, Ltd., which is to exploit an American oil refining process, and Rubber Regeneration, Ltd., which is to exploit an American rubber reclaiming process, are typical examples.

The London *Economist* has just issued its summary analysis of new capital issues, comparing the first 9 months' results with the same period last year. While the total is down, this is due to a marked fall in government borrowing.

NEW CAPITAL APPLICATIONS ANALYZED*

Description	Total 9 Months to Sept. 30 1933 £	1934 £
British Government	150,813,600	42,650,000
Colonial Government	21,969,500	8,461,200
Foreign Government	5,298,600	Nil
British Corporation, County and Public Board	20,692,500	15,974,900
Colonial Corporations and Public Board	Nil	Nil
Foreign Corporations	Nil	Nil
British Railways	Nil	Nil
Colonial Railways	Nil	178,500
Foreign Railways	Nil	Nil
Australasian Mines	738,300	835,700
South African Mines	1,581,200	3,688,100
Other Mines	969,400	6,089,600
Exploration, Financial and Investment Trusts	358,700	6,661,900
Breweries and Distilleries	4,977,100	1,478,000
Merchants, Importers, etc.	Nil	Nil
Stores and Trading	1,755,800	629,800
Estate and Land	30,000	740,700
Rubber	114,000	584,400
Oil	Nil	469,300
Iron, Coal, Steel, Engineering	Nil	13,794,900
Electric Lighting, Power, Telegraph	1,016,200	3,482,200
Tramways, Omnibus, etc.	Nil	Nil
Motor Traction and Manufacturing	Nil	2,153,600
Gas and Water	Nil	Nil
Hotels, Theatres and Entertainments	1,847,200	1,027,800
Patents and Proprietary Articles	Nil	3,896,800
Docks, Harbors and Shipping	Nil	Nil
Banks and Insurance	817,000	Nil
Manufacturing and Miscellaneous	14,124,500	12,627,800
Total	227,103,600	125,425,200

*See also table, page 26.

The tone of British business continues to be good. Last week's assassinations have had no adverse influence because no immediate results are anticipated. President Roosevelt's press speech has convinced London that dollar devaluation to 50¢ is imminent. This accounts

for weakness of the dollar and general uncertainty on the foreign exchange market. London's skeptical feeling regarding the French political and economic outlook contributes to the mild uncertainty which is developing over the longer-term future.

Official unemployment figures dropped 54,600 in September, making the total of registered employed workers 10,233,000, highest since November, 1929, and above the monthly average for that year. Highest recorded employment was 10,316,000 in September, 1929; lowest was 9,144,000 in September, 1932. This restoration to the prosperity level takes no account of the increase in population.

Germany

Trade agreement with U. S. terminated to force new negotiations. Business outlook favorable. Dividend payments again curbed.

BERLIN (*Wireless*)—Following the initial scare after the Marseilles assassinations, Germany's appraisal of the European situation is calmer, though the informed public anticipates a partial reshuffling of alliances in middle and southeastern Europe in the near future.

Next to this, Berlin has been most interested this week in the termination of the German-American trade treaty. Obviously there were two motives. Germany's new style of carrying on foreign trade virtually on a straight barter arrangement makes old trade agreements obsolete. The United States has refused to discuss a new trade agreement. Now the issue is forced by Berlin. Germans who have handled a large volume of business with the United States know that the government is going to bargain just as closely as possible with the United States for credit concessions on large raw materials orders. Those familiar with the attitude in the United States are not overoptimistic of the outcome.

The current business outlook remains fair. Unemployment declined by 116,000 in September, due mainly to increased activity in the building and heavy industries under the impulse of the government's relief works program. Foreign trade surprise of the month was the remarkably steady level of materials imported despite the rigid restrictions imposed by the government. Also, the fact that the adverse balance was so small. Critics, however, pointed out that the export surplus in Europe was dwindling rapidly as foreign countries refused to purchase German goods when their sales in Germany are so drastically curtailed.

The upward trend of share prices, on anticipation of greater industrial profits as the government's public works program gets under way, has been interrupted by the announced plans of the government to launch compulsory loans for the financing of new industries, and by rumors regarding new "anti-dividend" measures in support of the market for government and other public bonds.

To Support Bonds

Last March, the government issued a law ordering all German corporations distributing more than a 6% dividend to invest in public bonds to an amount equal to that by which dividends paid this year exceeded the respective amount paid last year. Exemptions, however, made it possible for all but 4 companies to escape the levy, and they bought only 360,000 marks of bonds, which brought negligible support to the bond market.

Plans now under consideration are more radical. It is now proposed to force all corporations to pay any dividend exceeding a certain rate (presumably 8%) in government bonds especially purchased for this purpose. Since the payment of small and odd amounts in bonds to individual shareholders might prove impracticable and to prevent dumping of these bonds on the market, the alternative proposal is to pool, for each company, these bonds into a special fund to be administered by a trustee of the shareholders.

France

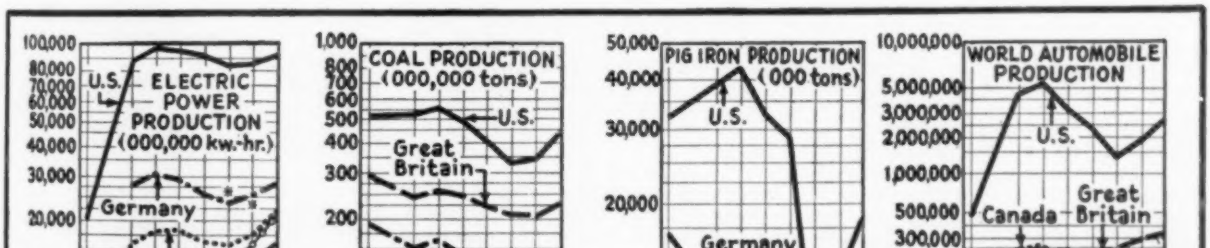
Bourse more cheerful following conservative voting; industry sluggish; political outlook uncertain.

PARIS (*Wireless*)—The business situation in France this week is paradoxical.

Financially, the outlook has brightened. When the provincial elections were completed last week they showed no trend at all toward the Left. Reaction on the Bourse was prompt. Activity increased. Rentes continued their rise of the previous week. Subscriptions to the government's conversion loan, which closed Oct. 13, exceeded 7½ billion francs, much better than was expected.

Economically, the prospect is less bright. Industry is still sluggish. Foreign trade has not recovered; prospects are not bright. And the feeling is general that the meeting of the gold bloc nations at Brussels is one last desperate effort to keep the belga on gold. The prospect is not bright.

Politically, the situation is uncertain. Frenchmen accept the new cabinet members as satisfactory but there is small confidence that the Doumergue government will survive on the drastic program it now advocates. A government crisis at this time could completely undermine the economic situation.



RECOVERY TRENDS—Upward in most countries, they are leading inevitably to a new lineup of the powers. The Soviets have made the most striking gains and pushed Russia into the "Big 5" in any industrial grouping. French industrial activity is lagging. Recovery of the automobile industries in Germany and Britain is most striking; Russia's progress most spectacular.

Foreign Investments—Two Records Compared

Rate of Return from Foreign Investments

	1929	*1930*	*1931*	*1932*	*1933*
Great Britain*	6.17	5.61	4.56	4.30	4.26
United States†	6.10	5.43	3.81	2.59	2.70

Creditors' Balance Sheets

	Great Britain*		United States†	
	Subscriptions to New Foreign Issues‡	*Repayments to Britain*	*Subscriptions to New Foreign Issues*	*Repayments to U. S.*
	(millions of pounds sterling)		*(millions of dollars)*	
1929	96	49	671	276
1930	98	39	905	250
1931	41	27	229	257
1932	37	48	29	172
1933	50 (Provisional)	55	12	123

* Sir Robert Kindersley, "British Overseas Investments"
† Compiled from data given in the "Balance of International Payments of the United States," Department of Commerce
‡ Not including conversions

INVESTMENT RETURNS—Britain's investments in colonial and foreign bonds returned a relatively steady income throughout the depression and held the average return on foreign investments well above American levels, where the income from foreign bonds fell off almost as badly as dividends on foreign stocks. This helps to account for the continuing decline in American subscriptions to new foreign issues. Despite London's partial ban on new foreign issues, the British revived their interest in foreign investments last year, though for the second year new investments failed to balance repayments.

Canada

Conversion loan oversubscribed. Interest on savings cut to 2% with hope that funds will be encouraged to seek higher return in industrial stocks.

OTTAWA—Having been successful with its own $250-million conversion loan, the federal government now wants to see the provincial governments succeed with similar refinancing measures which some of them have in contemplation. That is the principal reason for its action last week in bringing about a further reduction in the interest rate on savings deposits. It is trying to force idle capital (savings deposits amount to $1,360 millions) into the service of the nation. If some of it turns, in hope of higher earnings, to employment in private enterprise Ottawa will be equally pleased.

The rate on savings deposits was reduced last May from 3% to 2½% and now it drops to 2%. All chartered banks, the post office savings department, and provincial savings banks unite in the reduction. Trust companies, which usually pay a deposit rate about 1% higher than the banks, also make a cut of ½%.

It is presumed, of course, that the banks will pass on the cut to their credit customers. That the primary interest of the government is in public financing is indicated in the statement of Finance Minister E. N. Rhodes that the reduction in the savings rate will have "the immediate important result of giving stimulus to the investment market and the consequent lightening of the burden of debt charges upon public bodies."

The $250-million federal conversion loan was oversubscribed by approximately $33 millions, the books being open a week and a half.

On the heels of the announcement of the cut in the savings deposit interest rate came the further announcement from Minister Rhodes of a cut of 1% in the Federal Farm Loan Board's interest rate on mortgage loans to farmers. A fund of $70 millions is being created for the board out of which it will assist farmers in their refinancing. All this is in implementation of legislation passed at the last session of parliament. It is complementary to the Farmers' Creditors' Arrangement Act of this year under which receivership boards and courts are set up through which the farmer can secure adjustment of his mortgage indebtedness.

Aid for Farmers

A farmer applying to the Loan Board for assistance may be given a first mortgage loan up to 50% of the appraised value of his lands plus 20% of the value of buildings (the appraisal to be made by the board) and if this is not sufficient for the consolidation of his liabilities he may be given a further loan up to half the amount of the first mortgage loan, the additional loan being secured by a second mortgage on the real estate and a mortgage on livestock and chattels. The total of the advances must not exceed two-thirds of the value of lands and buildings, or be more than $7,500 in any case. Factors which will guide the board in making loans will be the productive value of the property and the recorded capabilities of the farmer. Loans will only be granted where the amount advanced is sufficient to consolidate completely the farmer's existing liabilities. Under the Farmers' Creditors' Arrangement Act the farmer who is paying in excess of 7% upon his mortgage may tender the mortgagee the principal and a bonus of one quarter year's interest and compel acceptance of this settlement or, in alternative, continuance of the mortgage at 5½%. The credit of the Farm Loan Board will enable him to make this approach.

The government further will loan to mortgage and insurance companies for one year amounts up to 25% of the face value of first mortgages, these amounts to be passed on to the farmers for working capital requirements.

Far East

China's export tax on silver creates business uncertainty, causes Japan to unpeg yen, foresees policy statement from Washington.

OUTSTANDING development in the Orient this week is the imposition by China of an elastic tax on exports of silver.

Effects varied.

In China, foreign exchange broke badly the first day, rallied under government plans to set up a stabilization fund. The flexible export tax was accepted as a virtual embargo. Local business was impeded by uncertainties following the rapid fluctuations in silver quotations, the imposing of government regulations (page 20).

In Washington, the government announced its determination to continue the silver buying program. Motive: it is the most effective means immediately at hand to keep the dollar from rising on foreign exchange markets, and commodity prices from falling. Negotiations with China, however, are cordial, for China is one of our "big 10" customers, takes nearly 4% of all our exports.

In Tokyo, the yen was allowed to depreciate slightly to maintain Japan's export advantage against Chinese currencies.

In world silver markets, prices were volatile as speculators took flyers in silver first on reports from Shanghai, then from Washington.

Latin America

More trouble in Cuba. Signs of progress in Chile.

THERE were no outstanding business developments in Latin America this week. Cuba shows further signs of restlessness, bound to delay economic recovery. Chile will buy 15 airplanes from Great Britain, and is in the market for rolling mill equipment to expand the domestic steel industry. Steel for an Argentine refinery of an American company, amounting to 12,000 tons, has been placed with a German mill because the oil company has blocked marks in Germany which it can get out only in trade. A new mining code in Brazil foreshadows progressive nationalization of mines and mineral deposits considered essential to the economic or military defense of the nation.

Spain's Potash Boom

With plenty of foreign capital, and a huge supply of rich salts, Spain is threatening the Franco-German Potash Syndicate's control of world markets.

PARIS (*Special Correspondence*)—Spain's rapidly expanding potash industry is becoming a serious threat to the Franco-German syndicate, though French and German capital is helping to develop the new mines.

In 1932, the great Potash Syndicate supplied 88% of world production. Last year this dominance dropped to 82%, and French authorities expect it to fall below 80% in 1934. Spain is the troublesome competitor, though the Soviet Union is also making rapid progress.

How They Rank

World production last year exceeded 1½ million metric tons. Major producers were: Germany, 906,500 tons; France, 326,000; Poland, 35,000; Spain, 95,000; Russia, 45,500; United States, 100,000; and Palestine, 12,000.

Germany, with 60% of the total output, dominated the market. German sales last year were up only about 2%, but internal demand had jumped from 55% of total output in 1913 to 76% in 1933.

German domination of the market is fortified by the sales agreement with French and Polish producers. Sales of the syndicate are up 26% for the first half of 1934.

Spanish production has attracted attention only in the last 2 years. In 1933, mines in the Catalonian area produced 91,113 tons of pure potash. There are 3 principal companies: the Suria Mines (17½% of total Spanish production), Union de Explosivos (46½%), and Potassas Ibericas (36%). Exports last year totaled almost 70,000 tons. The internal market absorbed only about 18,000 tons of pure potash.

Price Battle

The increase in Spanish potash export has been possible only after a serious price battle with the Franco-German syndicate, especially on the Dutch market. There the price of 100 kilos of potash salts containing 20% of pure potash has fallen during 1933 from 2.43 to 1.32 guilders (about 46%). During the first 4 months of 1934, exports are said to have exceeded 100,000 tons, mostly to the United States, Holland, Belgium, and Sweden.

The Spanish mines have been developed with foreign capital. Suria, which participates in the Franco-German agreement, was mostly financed by the Belgian Solvay group, which controls in the United States the Allied Chemical Co. The Union de Explosivos was financed by British capital. Potassas Ibericas was created with French capital, principally by the Mirabaud mining group (which has promoted the Penaroya Spanish lead mines, Bor Serbian copper mines, Gafsa North African phosphate mines, Boleo Mexican copper mines), and is largely controlled today by Pechiney, leading aluminum producer in France, if not in all Europe. Finally, the Germans have invested some capital in 2 new companies: Fodime and Minera, who operate in Catalonia.

Branch Plants Hit

American branch plants in Germany run into trouble under the Nazi régime.

BERLIN (*Special Correspondence*)—The position of American branch factories operating in Germany (about 70 in all) is becoming increasingly difficult. Fears of a boycott during the early months of the Nazi régime have proved to be groundless so long as German materials and German labor are used. Main trouble has been the difficulty in transferring profits and other payments to parent companies, and under the new foreign exchange regulations, all transfers have become virtually impossible. Not all companies can afford to go on indefinitely (like the big oil concerns) investing their untransferable mark profits in extending and improving their equipment in Germany.

The position is further aggravated in the case of American concerns which fill some of their orders for third markets through their German branches. In the few cases where this export business is very large, the companies can threaten Berlin with a shift of such operations to other branches unless transfer wishes get favorable consideration. What amounts to a virtual "ultimatum" to this effect was presented recently by an American machinery concern.

Other branch plants are seeking refuge in an alliance with powerful German companies. Ford was the first to inaugurate this practice when several years ago he offered a substantial share in his new Cologne plant to the influential I.G. Farbenindustrie (Dye and Chemical Trust). A new example was set recently by National Cash Register when it merged its German business with Krupp. "Nationale Krupp" cash registers now offered to the German trade, protected by the "great name," have definitely lost any stigma which might attach to them because of their foreign origin.

A similar move was reported recently when Remington Rand announced an alliance of its German branch for the manufacture of accounting machines with the Siemens electrical concern. Its equipment will be sold in future under the combined name "Siemens-Powers."

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Money and the Markets

Business gets reassurance on monetary policy and looks for more at bankers' meeting. Bond market talks of new financing. Stocks show stability in disappointment. Commodity prices feel effects of Washington support.

Two significant announcements bearing on the monetary question came out of Washington this week. The Chinese note on silver was intended for foreign consumption, the notice of call for $1,870 millions more Fourth Liberty 4¼s, for domestic. Both accomplished the purposes they were designed to serve.

The Treasury by telling the world that it would continue to buy silver also tipped off foreign exchange markets that the United States was hanging on to the most effective weapon it has discovered for holding down the dollar in international exchange.

Orthodox Note

Announcement that the refunding program on Liberty bonds would be continued told domestic financial markets that an orthodox fiscal policy would be continued by the government. Notices of the call were evidently rushed out to counteract a misinterpretation that had been placed on press accounts of President Roosevelt's statements that the government would continue to press for higher prices.

The President's remarks had patently been drawn forth by the fact that commodity prices had recently been on the skids and needed some encouragement. The news, however, generated a momentary inflation boom in stocks and commodities. The bond call, combined with a White House statement clarifying the meaning of the "price" interview, nipped this boom in the bud, and convinced the financial world that the Administration's program of cultivating confidence in business was not going to be interrupted by another inflation scare.

Foreign exchanges that had been drifting steadily downward until arrested by the Marseilles assassinations flurry, were thrown definitely into reverse by the silver messages and have recently ruled consistently strong.

Chinese currencies naturally formed an exception since the export tax embargoes exports of silver and is tantamount to suspension of the metallic standard. Japanese yen, under government control, were automatically dropped to preserve the foreign trade advantage Japan has gained over China through its depreciated currency.

China's action has already been demonstrated to be an effective defense against the deflationary effects of rising silver prices, the break in its currency internationally and in silver prices internally having been sharp enough to require inauguration of stabilization operations by the central bank.

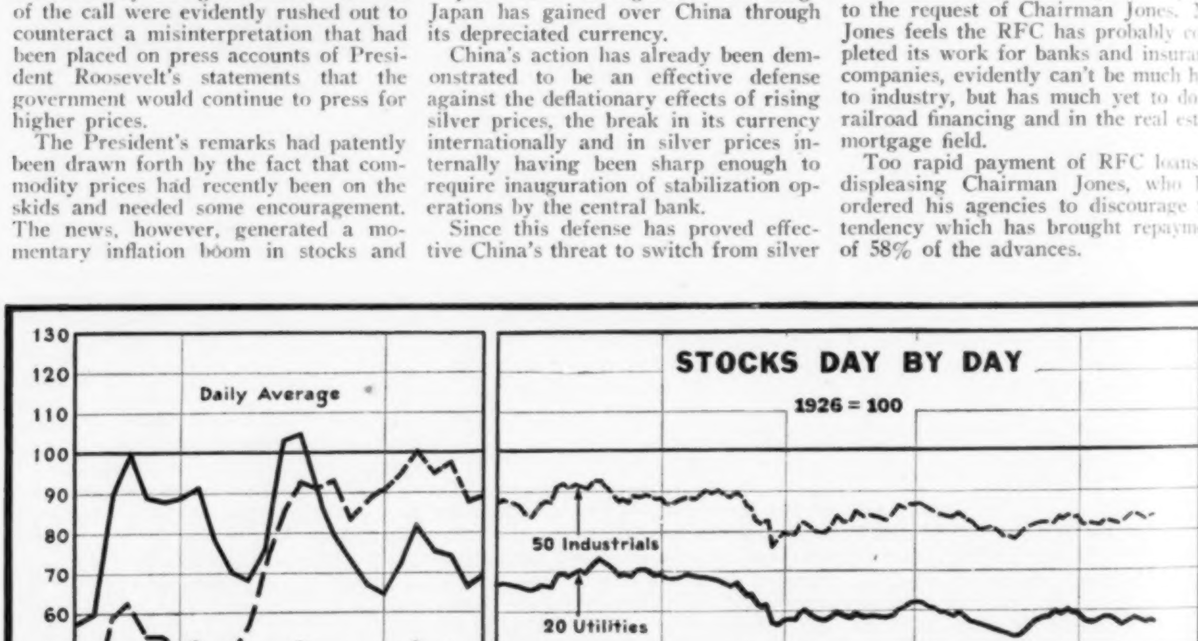
Since this defense has proved effective China's threat to switch from silver to gold for reserve purposes, an action that would frustrate the whole world silver program, was not taken seriously. However, it is admitted that China could readily use a combination of gold and silver, employing the former in larger domestic transactions and abroad. Silver stocks, so augmented, would support the internal price structure. Such a sequel would be paradoxical since the real problem in silver is the excessive supplies resulting from its demonetization elsewhere. China is the sole country now using it exclusively as currency reserves.

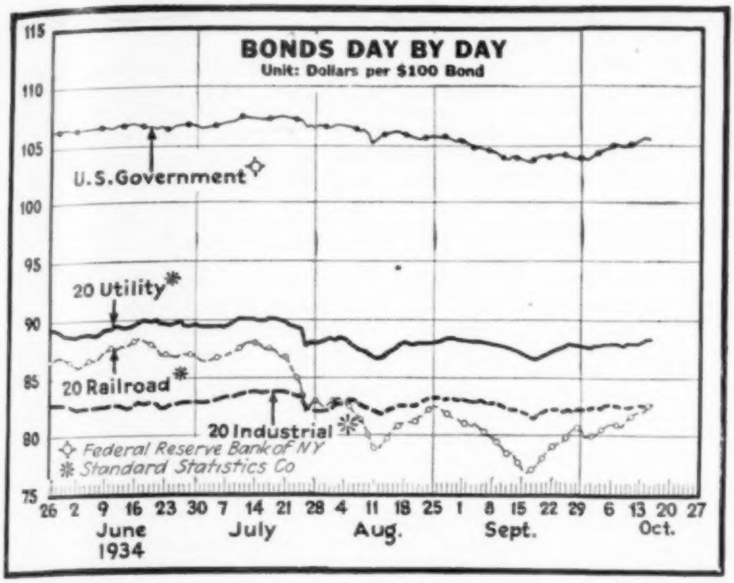
A.B.A. Expectations

Clarification of the relation of banking and government and perhaps some insight into prospective banking legislation would be welcome as the outcome of the meeting of bankers and Washington spokesmen at the American Bankers Association convention this week. Whereas the talk of remodeling the Federal Reserve system into a strong central bank has quieted down of late, there is said to be actually more "inside" talk on the question of complete nationalization of banking.

Banking activities of the Reconstruction Finance Corp. will be continued beyond Jan. 31, the present statutory deadline for new loans, if Congress responds to the request of Chairman Jones. Mr. Jones feels the RFC has probably completed its work for banks and insurance companies, evidently can't be much help to industry, but has much yet to do in railroad financing and in the real estate mortgage field.

Too rapid payment of RFC loans is displeasing Chairman Jones, who has ordered his agencies to discourage the tendency which has brought repayment of 58% of the advances.





Bonds

GOVERNMENT credit recovered to better than a 3% basis this week as bonds extended their advance under the stimulus of renewed confidence in monetary policies. All types of investment securities were carried ahead in the more sanguine attitude of the financial district.

Government-guaranteed issues outfeatured direct obligations, their better yields attracting individual investors. In the HOLC bonds there was the suggestion that the Treasury might be window dressing to encourage conversion of the corporation's interest-guaranteed 4s into fully guaranteed 3s. The exchange privilege, which expires Oct. 27, did not seem valuable to holders when both issues were recently selling under 95.

Railroad bonds provided another feature. RFC, in foregoing its earlier plans to require financial reorganization of distressed carriers, has been helpful to such bonds, particularly those of secondary grade. Many of them had faced the prospect of being reduced to equities by compulsory recapitalization, but it now appears that capital structures will remain undisturbed, awaiting a more favorable opportunity for revamping.

Trial Balloon

Improvement in investment markets revived talk of new financing and the success of a trial balloon—$8 millions Scovill Manufacturing Co. bonds offered publicly this week—strengthened hopes. Further encouragement came from expectations that the Securities and Exchange Commission would turn its attentions next to modifying the troublesome technical provision of the 1933 Securities Act dealing with new issuance.

Thoughts of new offerings immediately raise the question—for whom can new securities be sold? Aside from refunding operations, little business is in prospect. The Scovill offering, incidentally the largest for an industrial concern since enactment of the securities law, was not new financing and did not require registration.

Prospects looked better for reduction of outstanding bonds, with Standard Oil of New Jersey added this week to the list considering the use of excessive cash reserves to cut debt and interest charges.

A call this week that created no joy among holders was that of French 7s. The "gold clause" has been observed on them and, although holders of called bonds will receive 177, the equivalent of a 105 call price in gold dollars, this is under the market. The bonds have been paying about $1.70 for each dollar face value of coupons. In contrast, holders of German 7s received only 50% of their interest on Oct. 15 coupons.

Stocks

SIGNALS were switched on the stock market last week when its nice little inflation boom was nipped in the bud. After a brief period of disappointment selling, however, values recovered and continued the even tenor of their way. Several implications were seen in the episode. First, Wall Street, the source of "sound money" gospel, can get more good out of an inflation fillip than out of a generous budget of routine news, however constructive. At the same time, it is significant that the reactions to disappointment do not get beyond technical proportions.

The trend of values, with recurrent irregularities eliminated, indicates a creeping advance and it is notable that the volume of trading declines on breaks, swells on rallies.

Technical strength alone is not sufficient to bring buoyant advances and a stronger incentive is needed to give stock movements more definite direction. What the traders have to work on now is rather vague impressions that Washington is going to give business a chance to get itself out of the hole. The more concrete influence of third-quarter earnings reports is just now appearing and so far there have been as many disappointing as pleasant surprises among these reports.

It is natural to expect hesitation during the reporting period, whether or not the poor third-quarter results were fully discounted, as appears to be the case. Until the reports are out of the way, it is difficult for the speculative community to pay much attention to prospects of final-quarter improvement.

Third-Quarter Dividends

On third-quarter reports so far coming to hand, reductions from last year's showing are running ahead of increases by 2 to 1. An offsetting factor has been the better dividend news. Out of 140 recent dividend meetings there have been no omissions, only 4 reductions, 9 increases, 5 resumptions, 1 initial payment, and 5 payments on accumulations.

Market observers attach significance to the fact that "blue chip" stocks, high in price and margin requirements under the new regulations, move up as readily in rallies as speculative specialties. This is thought to indicate public investment buying which is also suggested in the demand for preferred stocks. The professional traders in markets such as now prevail choose stocks near their lows to get the advantage of minimum margins, seasonal features, merger candidates, or commodity specialties.

Movements in the latter type of issues have generally been limited to flurries, confirming the impression that, except for occasional sorties, the professional is staying on the sidelines.

The call of another instalment of Libertys was not a surprise but it was a welcome confirmation of the hope that the Treasury would continue the refunding program. A total of $1,870 millions is included for payment Apr. 15 next, and the voluntary assumption of so large a task strongly impressed the financial district. If the Treasury was willing to saddle itself with a refunding of this proportion it evidently contemplated no budgetary or monetary policies that would destroy confidence in the government's credit.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Commodity Markets

EVENTS of the last week have measurably clarified the outlook for commodity prices. On the face of things it would appear that business can look for less juggling from Washington and for the elements of supply and demand fundamental to each commodity to exert their influence more normally.

Inflation is sidetracked for the time being and, although Washington continues to press for higher prices generally, its campaign will henceforth recognize 2 important factors in prices that previously have not been given the attention that business interests felt they warranted. These are the inability and indisposition of the consumer to support too rapid an advance in prices and the need for adjustment between high prices on some commodities and low prices on others.

The President's most recent observations on prices stressed these 2 elements in the picture. He emphasized that prices generally must not move up faster than purchasing power and that it was important to get prices in line and stabilized rather than to push them indiscriminately higher.

But Congress Will Talk

Inflation through devaluation or other automatic methods can be dismissed as an immediate possibility. It must not be supposed that inflation talk will disappear, however. On the contrary, Congress will be noisier than ever about the subject and speculative markets can be expected to wax hot and cold over rumored monetary developments. There have been several recent samples of Congressional utterance, mostly too irresponsible to merit serious attention. Nevertheless they have been given sufficient press and market circulation to exert an influence.

The Treasury's definite assurance that the silver-buying program is to be continued means that what advantages have been gained in foreign competition from a cheaper dollar will not be foregone. The reversal of price trends in foreign exchange this week, reflecting the pronouncement on the silver policy, had immediate reactions from cotton and rubber, the outstanding "international" commodities. Both had been under pressure recently because of the creeping appreciation of the dollar against foreign currencies.

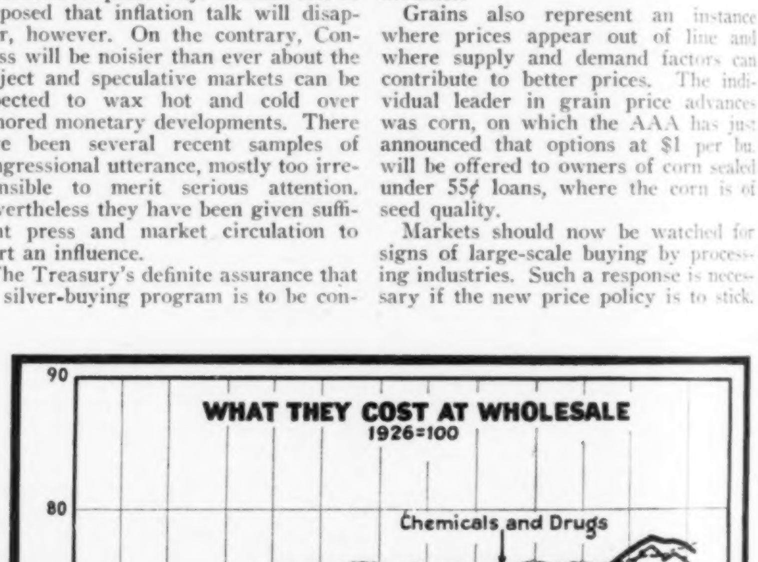
Lending a Hand to Wheat

The government moved immediately to put into effect its higher (but adjusted) price policy by a broadcast of bullish publicity on grain prices which have been most depressed recently. The Bureau of Agricultural Economics issued what was considered by the trade a "manufactured" observation on wheat since it pointed out 2 very obvious facts—that the Argentine crop is at the critical stage, subject to deterioration, and that more than normal quantities of wheat will be fed to livestock in this country and abroad because of feed deficiencies.

Meaningless or not, the item helped the recovery in grain prices and these, in turn, assumed the leadership in a rather broad advance throughout commodities.

Grains also represent an instance where prices appear out of line and where supply and demand factors can contribute to better prices. The individual leader in grain price advances was corn, on which the AAA has just announced that options at $1 per bu. will be offered to owners of corn sealed under 55¢ loans, where the corn is of seed quality.

Markets should now be watched for signs of large-scale buying by processing industries. Such a response is necessary if the new price policy is to stick.



Editorially Speaking—

THE U. S. Supreme Court has just held that payments to creditors made after bankruptcy are subject to provisions of the gift tax law and also are not deductible from the bankrupt's income tax return. The late Reuben H. Donnelly, Chicago, went bankrupt back in 1905 when his brokerage business caved in. But he made a big comeback, building up one of the largest and most profitable printing establishments in the country. In 1927 he repaid all his onetime creditors of his own free will, principal and interest totaling over $273,000. The Bureau of Internal Revenue cast a hungry eye at the sum, and went to work, winning the above decision. This misdeal in federal law is expected to be remedied by Congress at the coming session. Especially since many cases similar to the Donnelly one loom as result of the depression.

THEY are even getting elderly ladies to help fetch home the bacon in the home modernization drive. John L. Godfrey, Louisville realtor, got roughly nowhere at all with a staff of 6 able-bodied men who had been pepped up to orate elaborately to home owners on remodeling. Undiscouraged, he advertised for mature women, recruited 27, and in 2 weeks they had snared $27,000 worth of business—working on commission. One 67-year-young grandmother phoned in 26 prospects, two-thirds of which were worthless, but the rest had $8,000 of work.

A NEW way of teasing water consumers into paying their bills has been developed by the waterworks superintendent of Forest Park, Ill. When a bill goes unpaid he hustles over to the offender's place, opens up a union near the water meter and slips in a metal disc with a small hole in it, then seals it against tampering. This reduces the customer's water supply to 1 gal. a minute, enough for drinking and sanitation purposes, but hardly ample for showering or bathing—in the absence of extreme patience.

A WORLD-WIDE business conference was held over the telephone recently, with men in London, New York, Paris, Bombay, Johannesburg, and Sydney (Australia) participating. Caution: Don't all speak at once.

HIGH-PRESSURE stock sales organizations, looking for new business since federal security laws curbed their activities, seized upon whisky warehouse receipts as a vehicle, but it carried them straight into more trouble. Their methods and promises of glowing profits rankled Better Business Bureaus. Sales were made on initial payment of as little as $5 per receipt; and former stock and bond salesmen were trading their old customers out of the securities they once sold them into whisky receipts. But now James M. Doran, supervisor of the distillers' code authority, is striking back with warnings to the public. The code prevents distillers from disposing of whisky to others than distillers, rectifiers, or state dispensaries, he points out. These would be inclined to buy receipts direct from the distiller instead of third parties and outsiders. Wisconsin has come right out and forbidden the sale of whisky receipts to the public.

UNITED PARCEL SERVICE of New York has evolved a new means of keeping strings attached to the trained men it is forced to lay off during slack summer months. The Service handles deliveries for 267 department stores and specialty shops in New York, has brisk fall, winter, and spring business, but must lay off half its force in the summer. Not wishing to risk losing so many trained men annally, it set up a fully equipped summer camp for them in Connecticut, charged $5 a man weekly, payable out of later earnings. It went over big. The camp is strictly a bachelor proposition though—married men are barred.

THE sad job of refunding over $20 millions hard cash to Chicago telephone coin box subscribers was begun this week by Illinois Bell Telephone. The U. S. Supreme Court ordered a rate reduction for coin box service covering the period of rate litigation, 11 years. Bell has 2,000 clerks working at the task, is sending out $100,000 a day, 5 days a week. That's one job nobody will ask to share.

THE House of Seagram ("Fine Whiskies Since 1857") is taking advertising space to urge the public to drink whisky moderately. At first blush that seems astonishing counsel for a private whisky concern to give, but actually it is a device for building goodwill. Seagram no doubt really likes profits as well as the next one. But Seagram knows that a post-repeal swing to overindulgence couldn't help but hurt both consumers and distillers in the long run.

THERE should be no curb of the usual Friday meals this winter. Fish in storage totals 73,648,000 lb., slightly above the 5-year average and 22 million lb. over last year at this time. Housewives may be surprised to find there are over 100 kinds of fresh and frozen fish sold in the country.

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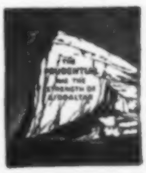

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A Business Opportunity

Business men have been demanding for months that President Roosevelt define somewhat precisely his policies and intentions. The United States Chamber of Commerce even went so far as to expect him to answer a questionnaire. Astute politician that he is, the President has concealed his thoughts and intentions quite successfully until the last fortnight. A steady stream of business men called to Washington for conferences with the President and his advisors have treated their conversations as confidentially as is possible under the circumstances. Yet their reports clearly define Presidential attitudes that are of first importance to business at the moment.

The first and most important conclusion to be drawn from these reports is that the President is concerned, to the point of actual dread, with the Frankenstein monster he has created out of relief expenditure. Paying wages, doles, gratuities, and honoraria direct from the Treasury creates an invincible political machine. On the other hand even Mr. Farley recognizes that so vast an expenditure in eleemosynary politics cannot be continued for the two years until the next Presidential election without resort to direct inflation.

The President now realizes that a resumption of the flow of private credit and the restoration of private enterprise alone can create the employment necessary to curtail relief expenditures and avoid monetary experiments that have never failed to end in disaster.

The President is influenced not a little in his present attitudes by the fact that he is thoroughly disappointed in the American Federation of Labor, and is not concealing the fact that its leaders let him down.

It is not to be inferred, of course, that the President has turned to the right or embraced any new interpretations of political economy. In this field his philosophy is as broad as the Golden Rule and his convictions rather tentative. He wants to restore prosperity, of course, and he wants the credit for doing so.

Business should not overlook this last fact. The leaders of industry and commerce have been planning wisely in recent days to make the most of new opportunities. This Administration almost more than any other in history is informed as to public opinion and responsive to it. For the time being the Administration is willing and eager to go along with business men, hoping that restored confidence will bring quick business revival. While this attitude prevails it is quite possible for organized business to turn public opinion in support of sound economy.

Some of the Boys Took Ginger Ale

There is a doctrine that we ourselves have more than half believed, which teaches that most of the outrageous things done during "the great madness" which culminated in 1929 are to be explained and pretty much excused on the ground that the madness was infectious. The whole country caught a brain fever; nobody escaped; great financiers were human, after all, and like the rest of us did things in the heat of the excitement that ought not to be judged or punished by the strict standards of chillier days.

This is a charitable view which does credit to the hearts of all of us who have been inclined to accept it. Unfortunately, something bobs up every little while which disturbs our simple faith. Odd bits of evidence indicate that some of the boys knew just exactly what they were doing all the while. We weren't all drunk together, it seems. That was just ginger ale some of them were taking.

There was, for latest instance, the gentleman who wrote to an associate engaged with him in floating an Insull investment trust:

"In my opinion, the minute we disclose the assets of the company, it will in great measure defeat the purpose of the whole thing." He wondered how some of the other workers in the harvest field "get by the blue sky laws. Certainly there must be some answer to it." And he suggested a few dodges that might be tried.

Customers desiring some of this "good thing" were advised to order 60 shares so as to be sure of getting 30. Yes, they got 60, and had to pay for them. That might be just delirious 1929 salesmanship. But the other somehow sounds cool-headed.

The United States government, no less, created through its Liberty Loan drives millions of new security buyers—and turned over to private initiative this greatest ready-made market the financial world ever saw. The trust was shamelessly betrayed by some of the black sheep of finance. Everyone is indignant about that, but we venture to guess that nobody is any more indignant than the decent investment bankers. They know, as nobody else, the value of the market that was thrown away, and how long it will take to rebuild it.

General Johnson Turns Quiet Philosopher

General Johnson, private citizen, relaxing, sounds quite different from General Johnson cracking the whip for NRA. The General got a reputation for rashness of speech which we never thought he earned. In his seeming indiscretions, it seemed to us we usually could detect traces of design. So it is only now, in the rôle of bystander, that he can be himself. And curiously enough, he now becomes the quiet and mellow philosopher. Nobody has said much wiser things about some of the larger aspects of the problem of recovery than he said on the eve of leaving Washington.

The 30-hour week, he believes, would wreck the whole recovery program. He makes these further points:

(1) Real recovery cannot come until the heavy goods industries are activated and their 4,000,000 unemployed are absorbed.

(2) Until that time the government will be faced with a problem of relief.

(3) Direct relief, in which "all disguise of the dole" is removed, is the only straightforward way.

(4) The campaigns of labor leaders for the 30-hour week will be met with a revolt from the farmers and white collar classes when they are aware such a move would increase by 33 1/3% the prices of products they buy.

All this lacks the pungent phrase-making of the hard-driving administrator the public knew. But it is sound sense.

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